

# Inception Report and Fourth Reconciliation Report

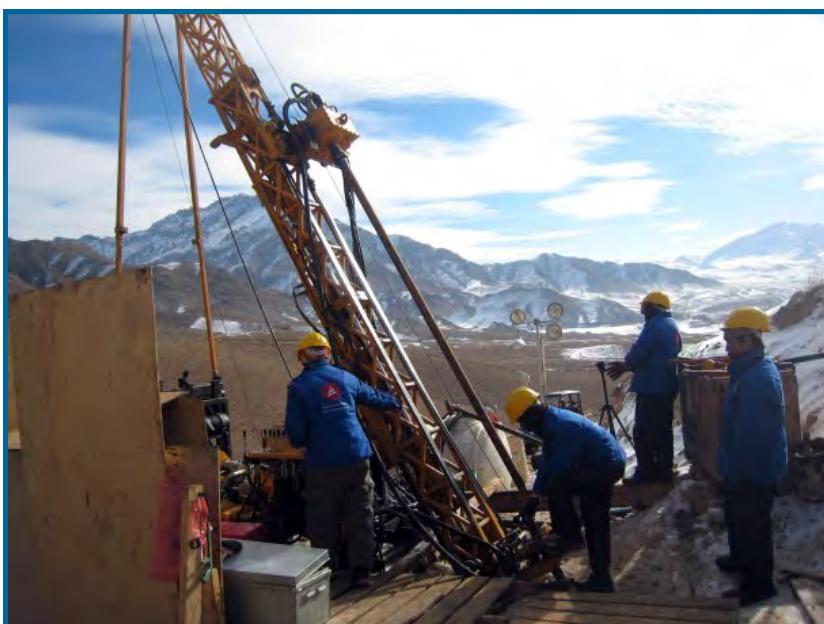


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## APPENDICES



4th February 2016

# **FOURTH AEITI REPORT**

## **APPENDIX 10.2**

**Terms of reference for the Independent Administrator for  
the Fourth AEITI Report covering the Afghan fiscal periods  
1391 and 1392**

## IV. Appendices

Appendix A – Description of Services  
**Islamic Republic of Afghanistan**  
**Ministry of Finance**  
AEITI Secretariat

**Consulting Services:** Inception Report & Fourth (4<sup>th</sup>) EITI Reconciliation Report of Afghanistan Extractive Industries Transparency Initiative (AEITI)

### Background

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors. It has a robust yet flexible methodology for disclosing and reconciling company payments and government revenues in implementing countries.

EITI implementation has two core components:

- Transparency: oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled by an Independent Administrator (IA), and published in annual EITI reports alongside contextual and other information about the extractive sector.
- Accountability: a Multi-Stakeholder Group (MSG) with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI report, and promote the integration of EITI into broader transparency efforts in that country.

The EITI standard encourages Multi-Stakeholder Groups (MSG) to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourage high standards of transparency and accountability in public life, government operations and in business. It is a requirement that the MSG approves the Terms of Reference (ToR) for the Independent Administrator (requirement 5.2), drawing on the objectives and agreed scope of the EITI as set out in the Country Work Plan (CWP). The MSG's deliberations on these matters should be in accordance with the MSG's internal governance rules and procedures (see requirement 1.3 g). The EITI requires an inclusive decision-making process throughout implementation, with each constituency being treated as a partner.”

It is a requirement that the Independent Administrator (IA) is perceived by the MSG to be credible, trustworthy and technically competent (Requirement 5.1). The MSG and Independent Administrator should addresses any concerns regarding conflicts of interest. The Independent Administrator's report will be submitted to the MSG for review/feedback approval and made publically available.

The requirements for implementing countries are set out in the EITI standard<sup>1</sup>. Additional information is available via [www.eiti.org](http://www.eiti.org).

These Terms of Reference (ToR) include “agreed upon procedures” for EITI reporting (see section 4) in accordance with EITI Requirement 5.2. The Board has developed these procedures to promote greater consistency and reliability in EITI reporting. The EITI process can be used to complement, assess, and improve existing reporting and auditing systems. The Board recommends that the process relies as much as possible on existing procedures and institutions, i.e., so that the EITI process draws on, complements and critically evaluates existing data collection and auditing systems. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems.

### *EITI Implementation in Afghanistan*

In March 2009 the cabinet of the Government of Afghanistan (GoA) publically endorsed EITI, committing to work with Civil Society and the Private Sector on EITI implementation. The Government of Afghanistan issued an unequivocal statement of supporting EITI implementation on 16th of March 2009, and the Finance Minister Dr.Hazrat Omar Zakhilwal appointed as first EITI champion in Afghanistan.

In November 2009 key participants identified and invited by AEITI chair to establish a Multi-Stakeholder Group (MSG) to discuss early steps of EITI implementation. The MSG membership was revised and finalized later in September 2011. In the same year a Memorandum of Understanding (MoU) was endorsed by AEITI stakeholders for successful implementation of EITI in Afghanistan.

On February 11, 2010 EITI International officially announced Afghanistan as EITI candidate country following the application sent by the AEITI Chair to the International Secretariat requesting the same. Accordingly the International Secretariat set the deadline for Afghanistan to be validated on 9<sup>th</sup> August 2012 based on EITI rules of 2011. However, it was extended to October 2012 later on. The Validation Report 2012 recognized that the country has fulfilled part of the EITI requirements. Therefore, an extension was given to Afghanistan to work on the unfulfilled requirements and the second deadline (October 2014) was given for validation exercise. In follow up on the validation report with the stated recommendations the EITI board has issued a letter indicating seven requirements to be accomplished by the AEITI/MSG in Afghanistan in this period.

The followings are AEITI objectives as agreed by the MSG:

- Improve understanding of natural resources management among the AEITI partners/stakeholders and public
- Create opportunities for dialogue & productive engagement on matters concerning natural resource management
- Improve governance & extractive companies' revenue systems to internationally accepted standards

In order to achieve this, AEITI has agreed the following ancillary objectives:

- Ensure the legal and actual sustainability of AEITI implementation as well as its financial independence
- Accomplishing reconciliation of financial flows between the extractive industries and the state including tax and non-tax payments
- ~~HN1 Fulfil the EITI requirements & become a complaint country by meeting the Validation & Reconciliation Reports recommendations. This includes carrying out scoping studies and~~

timely generation of annual reconciliation reports. As well ensuring productivity of the MSG to enhance monitoring functions of EITI activities and extractive industries' revenue-generation systems in compliance with the regulatory manuals and rules. All these objectives have been elaborated in the AEITI Work Plan (available on [www.aeiti.af](http://www.aeiti.af)). Afghanistan has completed two EITI reports (1387-1388) & (1389) so far; the reports have widely been publicized through the website ([www.aeiti.af](http://www.aeiti.af)) and other means. Third Reconciliation of 1390 and Scoping Study is currently under process.

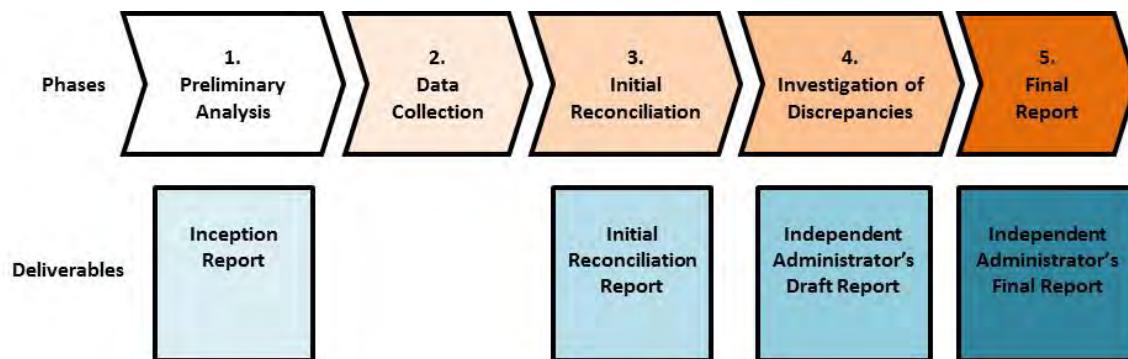
## Objectives of the assignment

On behalf of the Government of Afghanistan and the MSG, the AEITI secretariat seeks a competent and credible firm, free of conflicts of interest, well familiar with the EITI International standards which has experience of producing EITI scoping and reconciliation reports, to provide Independent Administrator services in accordance with the EITI standards. This work includes producing a scoping study to inform the 1391 EITI report, provide training and guidance to reporting entities, and produce the EITI reconciliation report for the Afghan fiscal year 1391.

## Scope of services, tasks and expected deliverables

The work of the Independent Administrator (IA) has five phases (see figure 1). The Independent Administrator's responsibilities in each phase are elaborated below.

*Figure 1 – Overview of the EITI reporting process and deliverables*



Based on Afghanistan EITI reconciliation reports of year 1387-88, 89 and 1390 and Scoping Study report 1390 the MSG's expectation from the IA is that the EITI Report will cover all in cash or in kind material payments and revenues, made by the extractive companies including State-Owned Enterprises (SOE), private extractive companies and government agencies. The scope of the EITI Report, will be revised and confirmed with the Independent Administrator (IA) during the inception period, as per annex 1.

Phase 1 – preliminary analysis and inception report

It should be noted that AEITI MSG expects the IA to generate a comprehensive Scoping Study Report as part of the inception phase.

Background: The objective of the first phase of work is to ensure that the scope of the EITI reporting process has been clearly defined, as well as the development of reporting

templates, data collection procedures, and the schedule for publishing the EITI Report. It is imperative that the scope of EITI reporting is clearly defined, in line with the EITI Standards and with the MSG's agreed objectives and expectations for the EITI process. The findings from the first phase should be documented in an inception report (see 3.1.3 below). The Independent Administrator is expected to undertake the following tasks:

The Independent Administrator should **review the relevant background information**, including the governance arrangements and tax policies in the extractive industries, the findings from any preliminary scoping work, and the conclusions and recommendations from previous EITI Reports and Validations. (A list of relevant documentation is provided as Annex 2).

The Independent Administrator should work with the MSG to **agree on the procedures for incorporating and analysing contextual and other non-revenue information in the EITI Report**. The procedures should ensure that information is clearly sourced and attributed. Additional information on the MSG's proposed approach to collating contextual information is attached in annex 1 of the template ToR, including any specific tasks that the Independent Administrator is expected to undertake in this regard.

The Independent Administrator should undertake detailed **scoping work** related to defining materiality and the revenue streams to be covered, to investigate specific issues in detail, or to suggest refinements to the scope. This should include:

**Scoping work related to contextual information (requirement 3):**

- a. Review and summarize the legal framework governing the extractive industries (EITI Requirement 3.2).
- b. Provide an overview of key features of the extractive sector (EITI Requirement 3.3).
- c. In accordance with EITI Requirement 3.4, prepare a summary of the contribution of the extractive industries to the economy for year 1391.
- d. Identify sources of information about production data and comment on the quality and reliability of the data with a view to inform the MSGs approach to EITI Requirement 3.5.
- e. Where applicable and in accordance with EITI Requirement 3.6, investigate the role of state-owned companies in the extractive sector and suggest an approach for reporting on financial relationships between the government and the SOE, quasi-fiscal expenditures, and government ownership in oil, gas and mining companies operating in Afghanistan. This should include identifying any barriers to comprehensive disclosure.
- f. Propose a framework for reporting on revenue allocations and distribution of revenues in accordance with EITI Requirements 3.7 and 3.8.
- g. Review the currently available information about license registers and license allocations assess the completeness and timeliness of the information, and propose a mechanism for reporting and disclosure in accordance with EITI Requirements 3.9 and 3.10.
- h. In accordance with EITI Requirement 3.12(b), review Afghanistan's policy on disclosure of contracts and licenses that govern the exploration and exploitation of

oil, gas and minerals. This should include a summary of relevant legal provisions, actual disclosure practices and any reforms that are planned or underway.

- i. Identify any barriers to disclosure of contextual information set out above, and set out options and make recommendations for addressing these barriers.

**Scoping work related to EITI reconciliation (requirement 4)**

- j. Undertake a comprehensive analysis of the payments and government revenue streams related to the extractive sector, noting in particular the revenues streams that must be covered in accordance with EITI Requirement 4.1(b). The analysis should also cover revenues related to the sale of the state's share of production or other revenues collected in-kind (4.1.c), infrastructure provisions and other barter arrangements (4.1.d), mandatory and voluntary social expenditures (4.1.e), and transportation payments (4.1.f).
- k. Assess the revenue management system of Ministry of Finance (MoF) and Ministry of Mines and Petroleum (MoMP) and provide recommendations for further improvement.
- l. Taking into account the findings of (a) above, review cadastre and revenue data from 1391 and make recommendations as to which of these tax payments and government revenues streams should be considered material, including suggesting materiality thresholds for company disclosure if appropriate (with reference to the guidance note<sup>2</sup> and EITI requirement 4.1).
- m. Based on the proposed materiality definition, develop a preliminary list of the companies that make material payments and should be covered in the EITI Report (EITI requirement 4.2.a). Where materiality thresholds are proposed, this should include an estimate of coverage of company payments that will be disclosed relative to total government revenues from the sector. It should also identify the total contribution of companies not required to report (i.e. those that fall below the materiality threshold), with a clear indication of the relative size of each company. (This information will inform the assessment of the comprehensiveness of the EITI Report as per Requirement 5.3.c.)
- n. For each company, identify where available :
  - I. Company's Tax Payer Identification Number
  - II. Sector and phase of operation, i.e. exploration, production, oil, gas, mining etc.
  - III. Type of license(s) held and the license number(s).
- o. Based on the proposed materiality definition, identify which government entities should be required to report. It should be noted that the government is required to disclose all revenues, regardless of the materiality (EITI Requirement 4.2.b). Thus where materiality thresholds for company disclosures are established, a reconciliation of the company payments and government revenues in accordance with the materiality threshold would be appropriate. Any additional government revenues (i.e. from companies below the materiality threshold) would also need to be disclosed in the EITI Report as per Requirement 4.2.b.

- p. In considering which government entities should be disclosed, the Independent Administrator should identify whether sub-national government entities receive direct or indirect revenues from the extractive sector in accordance with Requirement 4.2(d) and Requirement 4.2(e).
- q. Identify any legal, regulatory, administrative or practical barriers to comprehensive disclosure, and if necessary set out options and make and recommendations for addressing these barriers.

In addressing (a-h), the Independent Administrator may wish to set out options available to the MSG, taking into account the overall objectives, the EITI requirements, and the resources available.

**Scoping related to data quality (Requirement 5)**

- a. Where EITI Reports have already been produced, review previous approaches for addressing data quality, including any recommendations by the Independent Administrator or Validator for strengthening the process.
- b. In accordance with Requirement 5.2 (b): Examine **the audit and assurance procedures in companies and government entities participating in the EITI reporting process**. This would include examining the audit and assurance procedures in companies and government entities participating in the EITI reporting process, including the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards. This is also recommended that the EITI report include a summary of the findings.
- c. In accordance with EITI requirement 5.2 (c): Provide advice to the MSG **on what information the MSG should require to be provided to the Independent Administrator by the participating companies and government entities to assure the credibility of the data given the specific conditions in Afghanistan**. The Independent Administrator should then employ his /her professional judgement to determine the extent to which, reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator should document the options considered and the rationale for the assurances to be provided. Where deemed necessary by the Independent Administrator and the multi-stakeholder group, assurances may include:
  - I. For the accuracy of the records the company with a completed report will sign-off a form by a senior company or government official from each reporting entity attesting.
  - II. A confirmation letter from the companies' external auditor to confirm that the information they have submitted is comprehensive and consistent with their audited financial statements. The MSG may wish to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company's auditor. **Where some companies are not required by law to have an external auditor and therefore cannot provide such assurance, this should be clearly identified, and any**

**reforms that are planned or underway should be noted. The MSG may approve the stated letter as a replacement to the audit report.**

- III. Where relevant and practicable, government reporting entities may be requested to obtain a certification of the accuracy of the government's disclosures from their external auditor or equivalent.

It is important that the assurances chosen reflect a real and practicable alternative given reigning conditions in the country.

**Presentation of the scoping work:**

- a. Prepare and present the draft scoping study to the MSG and AEITI for review and comment;
- b. Address the comments and prepare a final scoping study to the MSG for approval.

Based on the scoping study and the MSG's decisions regarding the scope, the Independent Administrator should produce an **inception report** that clearly indicates the MSG's decisions on:

**Materiality and coverage:**

- a. The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1 (b).
- b. Disclosure of the sale of the state's share of production or other revenues collected in-kind including state-owned enterprises in accordance with Requirement 4.1 (c).
- c. The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1 (d).
- d. The coverage of social expenditure in accordance with Requirement 4.1 (e).
- e. The coverage of transportation revenues in accordance with Requirement 4.1 (f).
- f. The level and type of disaggregation of the EITI Reporting accordance with Requirement 5.2 (e).

**Identification of companies and government entities:**

- a. Identify and list the companies that make material payments to the state and will be required to report in accordance with Requirement 4.2 (a).
- b. Identify and list the government entities that receive material payments will be required to report in accordance with Requirement 4.2 (a).

**Identification of barriers and confirmation of MSG positions**

- a. Identify any barriers to full government disclosure of total revenues received from each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.2 (b)).
- b. Confirm the MSG's position on disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.2 (c).
- c. Confirm the MSG's position of the materiality and inclusion of sub-national payments in accordance with Requirement 4.2 (d).
- d. Confirm the MSG's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2 (e).

Based on the scoping study and the MSG's decisions regarding the scope, the Inception Report should confirm **what information the MSG should require to be provided to the Independent Administrator by the participating companies and government entities to assure the credibility of the data** as per point 3.1.above.

Based on the scoping study and the MSG's decisions regarding the scope, the Independent Administrator should propose reporting templates that reflect the agreed benefit streams to be reported and the reporting entities for consideration and approval of the Multi-Stakeholder Group (MSG). In developing proposed reporting templates, the Independent Administrator shall review the previously used templates. It is recommended that the templates include a provision requiring companies to report "any other material payments to government entities" above an agreed threshold.

The Independent Administrator should provide advice to the MSG on agreeing appropriate provisions relating to safeguarding confidential information.

The Independent Administrator should document the results from the inception phase in an **inception report** for consideration by the MSG addressing points 3.1.1 – 3.1.6above. Where necessary the inception report should highlight any unresolved issues or potential barriers to effective implementation, and possible remedies for consideration by the MSG.

**Training:** The Independent Administrator should prepare guidelines and conduct a training workshop for all reporting entities, including demonstrating how to properly fill in reporting templates. The purpose of the training will be to:

- a. Ensure that all reporting entities have a clear understanding of the process and timeline for submitting their reporting templates.
- b. Ensure that they understand that only cash based figures and not accrual based figures will be used in the report.
- c. Based on the Scoping Study and the MSG's agreed approach, explain what assurances must be provided by the reporting entities in order to ensure the credibility of the data
- d. Train the Extractive Industries and Government Agencies on how to collect data on company payments and government revenues, and provide appropriate support to them to raise their capability and knowledge of compiling such data
- e. Work with government agencies to identify any vulnerability that might exist in the transfer of company payments to the Ministry of Finance (MoF) and the ways of how these could be addressed.

## Phase 2 – data collection

The most common procedure is that the Independent Administrator is mandated by the MSG to distribute the reporting templates and collect the completed forms and associated supporting documentation, as well as any other contextual or other information requested to be collected by the MSG, directly from the participating reporting entities. The government typically provides contact details for the reporting entities and assists the Independent Administrator in ensuring that all reporting entities participate fully.

At the direction of the MSG, the Independent Administrator may be tasked to provide advice on ensuring that the request for data includes appropriate guidance to the reporting entities, and on where to seek additional information and support.

The Independent Administrator is mandated to contact the reporting entities directly to clarify any information gaps or discrepancies in the reported information.

## Phase 3 – drafting the initial report

Contextual information and other data collected by the Independent Administrator provided to the Independent Administrator by the government or MSG: the Independent Administrator will compile the data collected and prepare an initial report based on the reported contextual and other information in the format agreed by the MSG for reporting this information.

MSG and the Independent Administrator may fix and agree an acceptable margin of error in determining which discrepancies should be further identified and investigated. The decision on acceptable margin needs to be recorded in the minute of the MSG meeting and/or Independent Administrator's communications with the MSG.

The Independent Administrator should compile a database with the data provided by the reporting entities. The database should be handed over to the EITI Secretariat in Afghanistan along with the final report.

The Independent Administrator should comprehensively reconcile the information disclosed by the reporting entities, identifying any discrepancies (including offsetting discrepancies) in accordance with the agreed scope.

The Independent Administrator should prepare an initial reconciliation report based on the reported (unadjusted) data for consideration by the MSG in accordance with the agreed scope.

## Phase 4 – investigation of discrepancies and draft Independent Administrator’s Report

The Independent Administrator is mandated to contact the reporting entities in seeking to clarify and resolve any discrepancies in the reported data.

The Independent Administrator should prepare a draft Independent Administrator’s Report that comprehensively reconciles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG.

The draft Independent Administrator's report should:

- a. describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards
- b. include a description of each revenue stream, related materiality definitions and thresholds (Requirement 4.1).
- c. include an assessment from the Independent Administrator on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
- d. based on the government's disclosure of total revenues as per Requirement 4.2 (b), indicate the coverage of the reconciliation exercise.
- e. include an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report (Requirement 5.3 (d)).
- f. document whether the participating companies and government entities had their financial statements audited in the financial year(s) covered by the EITI report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI report advises readers on how to access this information (Requirement 5.3(e)).

Where previous EITI reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures (Requirement 5.3 (e)).

The Independent Administrator shall take stock of the recommendations of the last EITI reports, review the progress in addressing the recommendations, and make recommendations for strengthening the reporting process, audit practices and reforms needed in the future.

The Independent Administrator is encouraged to make recommendations on strengthening the template Terms of Reference (ToR) for the Independent Administrator services in accordance with the EITI Standard for the attention of the EITI Board.

#### Phase 5 – final Independent Administrator’s report

The Independent Administrator should produce electronic data files that can be published together with the final report.

The Independent Administrator should provide machine readable files and/or code or tag EITI reports and data files.

Following approval by the MSG, the Independent Administrator is mandated to submit summary data from the EITI report electronically to the International Secretariat according to the standardised reporting format available from the International Secretariat (Requirement 5.3 (b)).

#### Publication and dissemination

The Independent Administrator will publish/make public their final report only upon the instruction of the MSG. The Independent Administrator will present the report to the MSG for review and feedback; the MSG will endorse the report once its comments are incorporated; this will take place prior to its publication; where stakeholders other than the Independent Administrator wish to include additional comments in, or opinions on, the EITI report, the authorship should be clearly indicated in advance.

#### Dissemination Meetings:

- a. Preparation of Presentation Materials: Following submission of the draft final report, the Independent Administrator shall prepare a presentation (Power Point and hand outs) to explain the analysis and any concluding recommendations during which, the proposed actions can be discussed and refined if necessary. The Independent Administrator shall prepare the materials for presentation within 5 days of submission of the draft final report
- b. Dissemination Meeting: There shall be one dissemination meeting, the time and locations shall be mutually agreed following submission of the draft final report.
- c. Submission of the Final Report: The MSG will submit comments on the draft final report within two weeks of the dissemination meeting. The final report shall take consideration of the MSG’s comments and include a summary of the dissemination meeting and shall be delivered no later than two weeks

## Qualification requirements for Independent Administrators

The reconciliation of company payments and government revenues must be undertaken by an Independent Administrator applying international professional standards (requirement 5.1).

It is a requirement that the Independent Administrator is perceived by the MSG to be credible, trustworthy and technically competent (*ib id*). Bidders must follow (and show how they will apply) the appropriate professional standards for the reconciliation/agreed-upon-procedures work in preparing their report.

The Independent Administrator will need to demonstrate:

- Expertise and experience in producing scoping study and EITI reports or other similar services applicable to the extractive sectors in Afghanistan or the countries similar to Afghanistan.
- Well familiarity with the EITI new standards.
- Expertise in accounting, auditing and financial analysis.
- A track record in similar work. Previous experience in producing EITI reports is required.
- Must have knowledge in project evaluation, public and private sector audit and accounting, and knowledge of international accounting standards.
- Shall have adequate staff and resources to devote to the task on the ground or sub-contract a qualified and reliable company for the fieldwork. The sub-contractor shall have full knowledge of EITI new standards, speaks local languages in addition to English, registered with AISA (Afghanistan Investment Support Agency) and have strong auditing and accounting background, knowledge and education. The IA shall have the proof of the qualification of the local representative to be shared with the MSG as requested.

In order to ensure the quality and independence of the exercise, Independent Administrators are required, in their proposal, to disclose any actual or potential conflicts of interest, together with commentary on how any such conflict can be avoided.

## Reporting requirements and time schedule for deliverables

The assignment is expected to commence on [First August, 2014], culminating in the finalization of the EITI report by [10February 2015]. The proposed schedule is set out below:

Signing of contract	5 weeks after announcement of assignment
Scoping and Inception period	4 weeks
Presentation of the scoping study 4-Feb-16	1-2 days

Inception report	2 weeks
Reporting template	Attached to Inception Report
Training sessions for reporting entities	10 days
Data collection & initial reconciliation	4 weeks
Initial reconciliation report	3 weeks
Draft report	10 days
Final report	Early February, 2015

## Payments

The schedule of payments shall be as follows:

- a. 10% upon the client's receipt of a copy of the contract signed by the Independent Administrator
- b. 50% upon the client's receipts of the draft report, acceptable to the AEITI MSG and
- c. 40% upon the client's receipts of the final report, acceptable to the AEITI MSG

## Client's input and counterpart personnel

The Independent Administrator shall have full access to relevant documentation at the Ministry of Mines and Petroleum (MoMP), Ministry of Finance (MoF) and the AEITI secretariat. Additionally the Independent Administrator shall be assisted by AEITI secretariat to contact extractive companies and government agencies and other relevant authorities at collecting EITI data and requesting any clarification/back-up information on payments made and revenues received.

The Independent Administrator's sub-contracted company (if the Independent Administrator sub-contacts a subsidiary) is expected to report the progress that it is making to the relevant MSG Working Group and the AEITI Secretariat on weekly basis. For further enrichment of the report incorporates the inputs received from the parities. The final report will be presented to the MSG meeting specially called for this purpose; and as soon as the MSG endorse the report the Independent Administrator can finalize the report with all the inputs received from the parties and the MSG incorporated.

The Independent Administrator or its sub-contracted company expected to take note of all meetings with the technical partners and the extractive companies and submit the records in hard and soft copies to the AEITI secretariat or the final 20% payment will get delayed. Any supporting document that the IA collects for the purpose to generate the Scoping Study and the Reconciliation reports shall be submitted in hard and soft copies to the AEITI Secretariat.

## Supporting material and selection criteria

Interested Independent Administrators must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, general qualifications and number of key staff, and so forth). Independent Administrators may associate to enhance their qualifications.

The Independent Administrator will be selected in accordance with Selection Based on Consultant Qualification (CQS) with the procedures set out in the World Bank Guidelines: Selection and Employment of Independent Consultants by World Bank Borrowers, May 6<sup>TH</sup> 2006 revised January 2011.

Note: The local representative of the firm/company must be fully aware of the EITI roles and must have close coordination with the AEITI Secretariat

## Annex 1 – Data Sheet on scope of services

Based on the first AEITI Scoping Study report and 3<sup>rd</sup> reconciliation report for 1390 the MSG proposes the following scope for the EITI.

### 1. Contextual Information

The Independent Administrator is tasked with collating the following contextual information in accordance with EITI Requirement 3.

Contextual information to be provided in the EITI Report	Commentary on work to be undertaken by the Independent Administrator
A description of the legal framework and fiscal regime governing the extractive industries (Requirement 3.2), in particular laws relevant to the information disclosed in the EITI report.	The IA is required to desk study the stated documents e.g. Mining / Petroleum law, and to specify the responsibilities of the relevant Govt. Agencies
An overview of the extractive industries, including any significant exploration activities (Requirement 3.3)	During the reconciliation reporting process and the meetings conducted with the stakeholder the IA will take note of the facts relevant to this part.
Where available, information about the contribution of the extractive industries to the economy for the fiscal year covered by the EITI Report (Requirement 3.4)	These information could also be found during the reporting process, MoMP and the MoF, Companies, AISA could be considered as the main source of information.
Production data for the fiscal year covered by the EITI Report (Requirement 3.5)	Total production volumes and the value of production by commodity and the total export volumes and the value of exports by commodity; the source of such data is the MoMP, MoF and the MoEc.
Information regarding state participation in the extractive industries (Requirement 3.6) <sup>3</sup>	Source of this information for which face to face meeting is recommended would be the MoMP Cadastre department.
Distribution of revenues from the extractive industries (Requirement 3.7)	Main source of data for this part would be MoF and the other ministries for comparison and during the consultation and info. sharing meetings could be collected
Any further information requested by the MSG on revenue management and expenditures (Requirement 3.8)	MoF Revenue and Customs departments, Ministry of Transportation, Ministry of Mine and Petroleum (including provincial offices) AFG need to have the policy/strategy on

	revenue management
Information on the licensing process and register (Requirement 3.9) <sup>4</sup> and the allocation of licenses (Requirement 3.10) <sup>5</sup>	Cadastre Department of MoMP are the responsible Govt. party for this purpose. In some occasions for the businesses such as logistic and construction AISA and Ministry of Commerce and Industries issue licence.
Any information requested by the MSG on beneficial ownership (Requirement 3.11) <sup>6</sup>	MoMP ,MoF and AISA can be the main sources for information.
Any information requested by the MSG on contracts (Requirement 3.12) <sup>7</sup>	MoMP, AISA and Ministry of Commerce and Industries
[Add any other contextual information that the MSG has agreed to provide]	Nil

## 2. The taxes and revenues to be covered in the EITI Report (Requirement 4.1)<sup>8</sup>

Benefit stream	Commentary on work to be undertaken by the Independent Administrator
Royalty	All private extractive companies make this payment to MoMP
Surface fee	All private extractive companies make this payment to MoMP
Lease Government Property	All private extractive companies make this payment to MoMP
Rent of Government Buildings	All private extractive companies make this payment to MoMP
Licence Fee	All private extractive companies make this payment to MoMP
Permitting Fee	All private extractive companies make this payment to MoMP

<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> HNL5471R\_FINAL REPORT

<sup>8</sup> 4-Feb-16

Ibid

Bid Fee	All private extractive companies make this payment to MoMP
Premium and Bonuses	Some private extractive companies make this payment to MoMP
Penalties to MoMP	All private extractive companies make this payment to MoMP
Other payments including Social Investment, Municipality Payment and Environment Protection Fee	All companies make these payments to corresponding entities e.g. MoMP, Municipalities and NEPA
Import and Export Duties	All private extractive companies make this payment to Customs Dept. of MoF
Income Tax	All private and state-owned companies make this payment to Revenue Dept. of MoF
2% BRT	All private and state-owned companies make this payment to MoF
Salary Withholding	All private and state-owned companies make this payment to MoF
Rent Withholding	All private companies make this payment to MoF
Contract Withholding	All private and state-owned companies make this payment to MoF
Dividends	All private companies make this payment to MoF
Penalties to MoF	All private companies make this payment to MoF
5% BRT	All state-owned companies make this payment to MoF
Profit	All state-owned companies make this payment to MoF

Other payments to MoF and MoMP which are not included in above-mentioned types.

### 3. List of reporting entities (companies and government agencies) (Requirement 4.2)

Scoping Study Report for the year 1390 contains a list of reporting entities including government and private extractive companies for year 1390. The Report is available at: [www.aeiti.af](http://www.aeiti.af)

### **Annex 2 – Supporting documentation provided**

Documentation on governance arrangements and tax policies in the extractive industries, including relevant legislation & regulations

- Income tax law
- Tax manual
- Procurement law
- Mineral and Hydrocarbon law

EITI work plans& other documents

- AEITI Country Work Plan
- AEITI Annual Progress report

Findings from preliminary scoping work

- Summary of (findings from scoping study)

Previous EITI Reports

- AEITI Reconciliation Reports
- AEITI Validation Report
- Progress Reports

Commentary on previous EITI Reports

- Discrepancies

- Validation Report
- Shadow Validation Reports

Other relevant documentation (e.g. annual activity reports)

- Reports provided to donors
- Annual report (if any)

# **AEITI**

# **Terms of Reference**

# **for Fiscal Period 1392**

## IV. Appendices

Appendix A – Description of Services  
**Islamic Republic of Afghanistan**  
**Ministry of Finance**  
AEITI Secretariat

**Consulting Services:** addition of 1392 fiscal year (Inception Report & Fourth (4<sup>th</sup>) EITI Reconciliation Report of Afghanistan Extractive Industries Transparency Initiative (AEITI)

### Background

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors. It has a robust yet flexible methodology for disclosing and reconciling company payments and government revenues in implementing countries.

EITI implementation has two core components:

- Transparency: oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled by an Independent Administrator (IA), and published in annual EITI reports alongside contextual and other information about the extractive sector.
- Accountability: a Multi-Stakeholder Group (MSG) with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI report, and promote the integration of EITI into broader transparency efforts in that country.

The EITI standard encourages Multi-Stakeholder Groups (MSG) to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourage high standards of transparency and accountability in public life, government operations and in business. It is a requirement that the MSG approves the Terms of Reference (ToR) for the Independent Administrator (requirement 5.2), drawing on the objectives and agreed scope of the EITI as set out in the Country Work Plan (CWP). The MSG's deliberations on these matters should be in accordance with the MSG's internal governance rules and procedures (see requirement 1.3 g). The EITI requires an inclusive decision-making process throughout implementation, with each constituency being treated as a partner.”

It is a requirement that the Independent Administrator (IA) is perceived by the MSG to be credible, trustworthy and technically competent (Requirement 5.1). The MSG and Independent Administrator should address any concerns regarding conflicts of interest. The Independent Administrator's report will be submitted to the MSG for review/feedback approval and made publicly available.

The requirements for implementing countries are set out in the EITI standard<sup>1</sup>. Additional information is available via [www.eiti.org](http://www.eiti.org).

These Terms of Reference (ToR) include “agreed upon procedures” for EITI reporting (see section 4) in accordance with EITI Requirement 5.2. The Board has developed these procedures to promote greater consistency and reliability in EITI reporting. The EITI process can be used to complement, assess, and improve existing reporting and auditing systems. The Board recommends that the process relies as much as possible on existing procedures and institutions, i.e., so that the EITI process draws on, complements and critically evaluates existing data collection and auditing systems. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems.

### *EITI Implementation in Afghanistan*

In March 2009 the cabinet of the Government of Afghanistan (GoA) publically endorsed EITI, committing to work with Civil Society and the Private Sector on EITI implementation. The Government of Afghanistan issued an unequivocal statement of supporting EITI implementation on 16th of March 2009, and the Finance Minister Dr.Hazrat Omar Zakhilwal appointed as first EITI champion in Afghanistan.

In November 2009 key participants identified and invited by AEITI chair to establish a Multi-Stakeholder Group (MSG) to discuss early steps of EITI implementation. The MSG membership was revised and finalized later in September 2011. In the same year a Memorandum of Understanding (MoU) was endorsed by AEITI stakeholders for successful implementation of EITI in Afghanistan.

On February 11, 2010 EITI International officially announced Afghanistan as EITI candidate country following the application sent by the AEITI Chair to the International Secretariat requesting the same. Accordingly the International Secretariat set the deadline for Afghanistan to be validated on 9<sup>th</sup> August 2012 based on EITI rules of 2011. However, it was extended to October 2012 later on. The Validation Report 2012 recognized that the country has fulfilled part of the EITI requirements. Therefore, an extension was given to Afghanistan to work on the unfulfilled requirements and the second deadline (October 2014) was given for validation exercise. In follow up on the validation report with the stated recommendations the EITI board has issued a letter indicating seven requirements to be accomplished by the AEITI/MSG in Afghanistan in this period.

The followings are AEITI objectives as agreed by the MSG:

- Improve understanding of natural resources management among the AEITI partners/stakeholders and public
- Create opportunities for dialogue & productive engagement on matters concerning natural resource management
- Improve governance & extractive companies' revenue systems to internationally accepted standards

In order to achieve this, AEITI has agreed the following ancillary objectives:

- Ensure the legal and actual sustainability of AEITI implementation as well as its financial independence
- Accomplishing reconciliation of financial flows between the extractive industries and the state including tax and non-tax payments
- Fulfil the EITI requirements & become a compliant country by meeting the Validation & ~~HNR Reconciliation Reports~~ reports recommendations. This includes carrying out scoping studies <sup>Appendix 10.2</sup> and <sup>Appendix 10.3</sup> generation of annual reconciliation reports. As well ensuring productivity of the MSG to <sup>Appendix 10.4</sup> <sup>Page 22 of 39</sup>

enhance monitoring functions of EITI activities and extractive industries' revenue-generation systems in compliance with the regulatory manuals and rules.

All these objectives have been elaborated in the AEITI Work Plan (available on [www.aeiti.af](http://www.aeiti.af)). Afghanistan has completed two EITI reports (1387-1388) & (1389) so far; the reports have widely been publicized through the website ([www.aeiti.af](http://www.aeiti.af)) and other means. Third Reconciliation of 1390 and Scoping Study is currently under process.

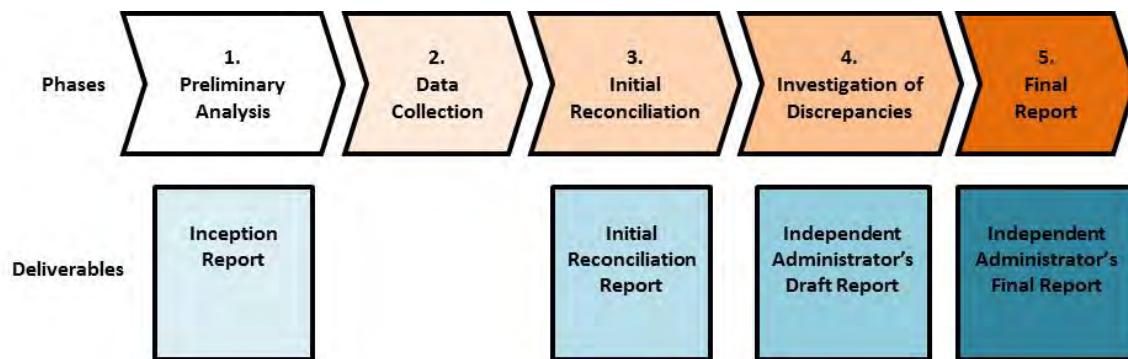
## Objectives of the assignment

On behalf of the Government of Afghanistan and the MSG, the AEITI secretariat seeks a competent and credible firm, free of conflicts of interest, well familiar with the EITI International standards which has experience of producing EITI scoping and reconciliation reports, to provide Independent Administrator services in accordance with the EITI standards. This work includes producing a scoping study to inform the 1391 EITI report, provide training and guidance to reporting entities, and produce the EITI reconciliation report for the Afghan fiscal year 1391.

## Scope of services, tasks and expected deliverables

The work of the Independent Administrator (IA) has five phases (see figure 1). The Independent Administrator's responsibilities in each phase are elaborated below.

*Figure 1 – Overview of the EITI reporting process and deliverables*



Based on Afghanistan EITI reconciliation reports of year 1387-88, 89 and 1390 and Scoping Study report 1390 the MSG's expectation from the IA is that the EITI Report will cover all in cash or in kind material payments and revenues, made by the extractive companies including State-Owned Enterprises (SOE), private extractive companies and government agencies. The scope of the EITI Report, will be revised and confirmed with the Independent Administrator (IA) during the inception period, as per annex 1.

### Phase 1 – preliminary analysis and inception report

It should be noted that AEITI MSG expects the IA to generate a comprehensive Scoping Study Report as part of the inception phase.

Background: The objective of the first phase of work is to ensure that the scope of the EITI reporting process has been clearly defined, as well as the development of reporting templates, data collection procedures, and the schedule for publishing the EITI Report. It is imperative that the

scope of EITI reporting is clearly defined, in line with the EITI Standards and with the MSG's agreed objectives and expectations for the EITI process. The findings from the first phase should be documented in an inception report (see 3.1.3 below). The Independent Administrator is expected to undertake the following tasks:

The Independent Administrator should **review the relevant background information**, including the governance arrangements and tax policies in the extractive industries, the findings from any preliminary scoping work, and the conclusions and recommendations from previous EITI Reports and Validations. (A list of relevant documentation is provided as Annex 2).

The Independent Administrator should work with the MSG to **agree on the procedures for incorporating and analysing contextual and other non-revenue information in the EITI Report**. The procedures should ensure that information is clearly sourced and attributed. Additional information on the MSG's proposed approach to collating contextual information is attached in annex 1 of the template ToR, including any specific tasks that the Independent Administrator is expected to undertake in this regard.

The Independent Administrator should undertake detailed **scoping work** related to defining materiality and the revenue streams to be covered, to investigate specific issues in detail, or to suggest refinements to the scope. This should include:

**Scoping work related to contextual information (requirement 3):**

- a. Review and summarize the legal framework governing the extractive industries (EITI Requirement 3.2).
- b. Provide an overview of key features of the extractive sector (EITI Requirement 3.3).
- c. In accordance with EITI Requirement 3.4, prepare a summary of the contribution of the extractive industries to the economy for year 1391.
- d. Identify sources of information about production data and comment on the quality and reliability of the data with a view to inform the MSGs approach to EITI Requirement 3.5.
- e. Where applicable and in accordance with EITI Requirement 3.6, investigate the role of state-owned companies in the extractive sector and suggest an approach for reporting on financial relationships between the government and the SOE, quasi-fiscal expenditures, and government ownership in oil, gas and mining companies operating in Afghanistan. This should include identifying any barriers to comprehensive disclosure.
- f. Propose a framework for reporting on revenue allocations and distribution of revenues in accordance with EITI Requirements 3.7 and 3.8.
- g. Review the currently available information about license registers and license allocations assess the completeness and timeliness of the information, and propose a mechanism for reporting and disclosure in accordance with EITI Requirements 3.9 and 3.10.
- h. In accordance with EITI Requirement 3.12(b), review Afghanistan's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include a summary of relevant legal provisions, actual disclosure practices and any reforms that are planned or underway.

- i. Identify any barriers to disclosure of contextual information set out above, and set out options and make recommendations for addressing these barriers.

**Scoping work related to EITI reconciliation (requirement 4)**

- j. Undertake a comprehensive analysis of the payments and government revenue streams related to the extractive sector, noting in particular the revenues streams that must be covered in accordance with EITI Requirement 4.1(b). The analysis should also cover revenues related to the sale of the state's share of production or other revenues collected in-kind (4.1.c), infrastructure provisions and other barter arrangements (4.1.d), mandatory and voluntary social expenditures (4.1.e), and transportation payments (4.1.f).
- k. Assess the revenue management system of Ministry of Finance (MoF) and Ministry of Mines and Petroleum (MoMP) and provide recommendations for further improvement.
- l. Taking into account the findings of (a) above, review cadastre and revenue data from 1391 and make recommendations as to which of these tax payments and government revenues streams should be considered material, including suggesting materiality thresholds for company disclosure if appropriate (with reference to the guidance note<sup>2</sup> and EITI requirement 4.1).
- m. Based on the proposed materiality definition, develop a preliminary list of the companies that make material payments and should be covered in the EITI Report (EITI requirement 4.2.a). Where materiality thresholds are proposed, this should include an estimate of coverage of company payments that will be disclosed relative to total government revenues from the sector. It should also identify the total contribution of companies not required to report (i.e. those that fall below the materiality threshold), with a clear indication of the relative size of each company. (This information will inform the assessment of the comprehensiveness of the EITI Report as per Requirement 5.3.c.)
- n. For each company, identify where available :
  - I. Company's Tax Payer Identification Number
  - II. Sector and phase of operation, i.e. exploration, production, oil, gas, mining etc.
  - III. Type of license(s) held and the license number(s).
- o. Based on the proposed materiality definition, identify which government entities should be required to report. It should be noted that the government is required to disclose all revenues, regardless of the materiality (EITI Requirement 4.2.b). Thus where materiality thresholds for company disclosures are established, a reconciliation of the company payments and government revenues in accordance with the materiality threshold would be appropriate. Any additional government revenues (i.e. from companies below the materiality threshold) would also need to be disclosed in the EITI Report as per Requirement 4.2.b.
- p. In considering which government entities should be disclosed, the Independent Administrator should identify whether sub-national government entities receive direct or indirect revenues from the extractive sector in accordance with Requirement 4.2(d) and Requirement 4.2(e).

- q. Identify any legal, regulatory, administrative or practical barriers to comprehensive disclosure, and if necessary set out options and make and recommendations for addressing these barriers.

In addressing (a-h), the Independent Administrator may wish to set out options available to the MSG, taking into account the overall objectives, the EITI requirements, and the resources available.

**Scoping related to data quality (Requirement 5)**

- a. Where EITI Reports have already been produced, review previous approaches for addressing data quality, including any recommendations by the Independent Administrator or Validator for strengthening the process.
- b. In accordance with Requirement 5.2 (b): Examine **the audit and assurance procedures in companies and government entities participating in the EITI reporting process**. This would include examining the audit and assurance procedures in companies and government entities participating in the EITI reporting process, including the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards. This is also recommended that the EITI report include a summary of the findings.
- c. In accordance with EITI requirement 5.2 (c): Provide advice to the MSG **on what information the MSG should require to be provided to the Independent Administrator by the participating companies and government entities to assure the credibility of the data given the specific conditions in Afghanistan**. The Independent Administrator should then employ his /her professional judgement to determine the extent to which, reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator should document the options considered and the rationale for the assurances to be provided. Where deemed necessary by the Independent Administrator and the multi-stakeholder group, assurances may include:
- I. For the accuracy of the records the company with a completed report will sign-off a form by a senior company or government official from each reporting entity attesting.
  - II. A confirmation letter from the companies' external auditor to confirm that the information they have submitted is comprehensive and consistent with their audited financial statements. The MSG may wish to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company's auditor. **Where some companies are not required by law to have an external auditor and therefore cannot provide such assurance, this should be clearly identified, and any reforms that are planned or underway should be noted. The MSG may approve the stated letter as a replacement to the audit report.**
  - III. Where relevant and practicable, government reporting entities may be requested to obtain a certification of the accuracy of the government's disclosures from their external auditor or equivalent.

reigning conditions in the country.

**Presentation of the scoping work:**

- a. Prepare and present the draft scoping study to the MSG and AEITI for review and comment;
- b. Address the comments and prepare a final scoping study to the MSG for approval.

Based on the scoping study and the MSG's decisions regarding the scope, the Independent Administrator should produce an **inception report** that clearly indicates the MSG's decisions on:

**Materiality and coverage:**

- a. The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1 (b).
- b. Disclosure of the sale of the state's share of production or other revenues collected in-kind including state-owned enterprises in accordance with Requirement 4.1 (c).
- c. The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1 (d).
- d. The coverage of social expenditure in accordance with Requirement 4.1 (e).
- e. The coverage of transportation revenues in accordance with Requirement 4.1 (f).
- f. The level and type of disaggregation of the EITI Reporting accordance with Requirement 5.2 (e).

**Identification of companies and government entities:**

- a. Identify and list the companies that make material payments to the state and will be required to report in accordance with Requirement 4.2 (a).
- b. Identify and list the government entities that receive material payments will be required to report in accordance with Requirement 4.2 (a).

**Identification of barriers and confirmation of MSG positions**

- a. Identify any barriers to full government disclosure of total revenues received from each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.2 (b)).
- b. Confirm the MSG's position on disclosure and reconciliation of payments to and from state owned enterprises in accordance with Requirement 4.2 (c).
- c. Confirm the MSG's position of the materiality and inclusion of sub-national payments in accordance with Requirement 4.2 (d).
- d. Confirm the MSG's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2 (e).

Based on the scoping study and the MSG's decisions regarding the scope, the Inception Report should confirm **what information the MSG should require to be provided to the Independent Administrator by the participating companies and government entities to assure the credibility of the data** as per point 3.1.above.

Based on the scoping study and the MSG's decisions regarding the scope, the Independent Administrator should propose reporting templates that reflect the agreed benefit streams to be reported and the reporting entities for consideration and approval of the Multi-Stakeholder Group (MSG). In developing proposed reporting templates, the Independent Administrator shall review the previously used templates. It is recommended that the templates include a provision requiring companies to report "any other material payments to government entities" above an agreed threshold.

The Independent Administrator should provide advice to the MSG on agreeing appropriate provisions relating to safeguarding confidential information.

The Independent Administrator should document the results from the inception phase in an **inception report** for consideration by the MSG addressing points 3.1.1 – 3.1.6above. Where necessary the inception report should highlight any unresolved issues or potential barriers to effective implementation, and possible remedies for consideration by the MSG.

**Training:** The Independent Administrator should prepare guidelines and conduct a training workshop for all reporting entities, including demonstrating how to properly fill in reporting templates. The purpose of the training will be to:

- a. Ensure that all reporting entities have a clear understanding of the process and timeline for submitting their reporting templates.
- b. Ensure that they understand that only cash based figures and not accrual based figures will be used in the report.
- c. Based on the Scoping Study and the MSG's agreed approach, explain what assurances must be provided by the reporting entities in order to ensure the credibility of the data
- d. Train the Extractive Industries and Government Agencies on how to collect data on company payments and government revenues, and provide appropriate support to them to raise their capability and knowledge of compiling such data
- e. Work with government agencies to identify any vulnerability that might exist in the transfer of company payments to the Ministry of Finance (MoF) and the ways of how these could be addressed.

## Phase 2 – data collection

The most common procedure is that the Independent Administrator is mandated by the MSG to distribute the reporting templates and collect the completed forms and associated supporting documentation, as well as any other contextual or other information requested to be collected by the MSG, directly from the participating reporting entities. The government typically provides contact details for the reporting entities and assists the Independent Administrator in ensuring that all reporting entities participate fully.

At the direction of the MSG, the Independent Administrator may be tasked to provide advice on ensuring that the request for data includes appropriate guidance to the reporting entities, and on where to seek additional information and support.

The Independent Administrator is mandated to contact the reporting entities directly to clarify any information gaps or discrepancies in the reported information.

## Phase 3 – drafting the initial report

Contextual information and other data collected by the Independent Administrator provided to the Independent Administrator by the government or MSG: the Independent Administrator will compile the data collected and prepare an initial report based on the reported contextual and other information in the format agreed by the MSG for reporting this information.

MSG and the Independent Administrator may fix and agree an acceptable margin of error in determining which discrepancies should be further identified and investigated. The decision on acceptable margin needs to be recorded in the minute of the MSG meeting and/or Independent Administrator's communications with the MSG.

The Independent Administrator should compile a database with the data provided by the reporting entities. The database should be handed over to the EITI Secretariat in Afghanistan along with the final report.

The Independent Administrator should comprehensively reconcile the information disclosed by the reporting entities, identifying any discrepancies (including offsetting discrepancies) in accordance with the agreed scope.

The Independent Administrator should prepare an initial reconciliation report based on the reported (unadjusted) data for consideration by the MSG in accordance with the agreed scope.

## Phase 4 – investigation of discrepancies and draft Independent Administrator’s Report

The Independent Administrator is mandated to contact the reporting entities in seeking to clarify and resolve any discrepancies in the reported data.

The Independent Administrator should prepare a draft Independent Administrator’s Report that comprehensively reconciles the information disclosed by the reporting entities, identifying any discrepancies, and reports on contextual and other information requested by the MSG.

The draft Independent Administrator's report should:

- a. describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards
- b. include a description of each revenue stream, related materiality definitions and thresholds (Requirement 4.1).
- c. include an assessment from the Independent Administrator on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
- d. based on the government's disclosure of total revenues as per Requirement 4.2 (b), indicate the coverage of the reconciliation exercise.
- e. include an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report (Requirement 5.3 (d)).
- f. document whether the participating companies and government entities had their financial statements audited in the financial year(s) covered by the EITI report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI report advises readers on how to access this information (Requirement 5.3(e)).

Where previous EITI reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures (Requirement 5.3 (e)).

The Independent Administrator shall take stock of the recommendations of the last EITI reports, review the progress in addressing the recommendations, and make recommendations for strengthening the reporting process, audit practices and reforms needed in the future.

The Independent Administrator is encouraged to make recommendations on strengthening the template Terms of Reference (ToR) for the Independent Administrator services in accordance with the EITI Standard for the attention of the EITI Board.

#### Phase 5 – final Independent Administrator’s report

The Independent Administrator should produce electronic data files that can be published together with the final report.

The Independent Administrator should provide machine readable files and/or code or tag EITI reports and data files.

Following approval by the MSG, the Independent Administrator is mandated to submit summary data from the EITI report electronically to the International Secretariat according to the standardised reporting format available from the International Secretariat (Requirement 5.3 (b)).

#### Publication and dissemination

The Independent Administrator will publish/make public their final report only upon the instruction of the MSG. The Independent Administrator will present the report to the MSG for review and feedback; the MSG will endorse the report once its comments are incorporated; this will take place prior to its publication; where stakeholders other than the Independent Administrator wish to include additional comments in, or opinions on, the EITI report, the authorship should be clearly indicated in advance.

#### Dissemination Meetings:

- a. Preparation of Presentation Materials: Following submission of the draft final report, the Independent Administrator shall prepare a presentation (Power Point and hand outs) to explain the analysis and any concluding recommendations during which, the proposed actions can be discussed and refined if necessary. The Independent Administrator shall prepare the materials for presentation within 5 days of submission of the draft final report
- b. Dissemination Meeting: There shall be one dissemination meeting, the time and locations shall be mutually agreed following submission of the draft final report.
- c. Submission of the Final Report: The MSG will submit comments on the draft final report within two weeks of the dissemination meeting. The final report shall take consideration of the MSG’s comments and include a summary of the dissemination meeting and shall be delivered no later than two weeks

## Qualification requirements for Independent Administrators

The reconciliation of company payments and government revenues must be undertaken by an Independent Administrator applying international professional standards (requirement 5.1).

It is a requirement that the Independent Administrator is perceived by the MSG to be credible, trustworthy and technically competent (*ib id*). Bidders must follow (and show how they will apply) the appropriate professional standards for the reconciliation/agreed-upon-procedures work in preparing their report.

The Independent Administrator will need to demonstrate:

- Expertise and experience in producing scoping study and EITI reports or other similar services applicable to the extractive sectors in Afghanistan or the countries similar to Afghanistan.
- Well familiarity with the EITI new standards.
- Expertise in accounting, auditing and financial analysis.
- A track record in similar work. Previous experience in producing EITI reports is required.
- Must have knowledge in project evaluation, public and private sector audit and accounting, and knowledge of international accounting standards.
- Shall have adequate staff and resources to devote to the task on the ground or subcontract a qualified and reliable company for the fieldwork. The sub-contractor shall have full knowledge of EITI new standards, speaks local languages in addition to English, registered with AISA (Afghanistan Investment Support Agency) and have strong auditing and accounting background, knowledge and education. The IA shall have the proof of the qualification of the local representative to be shared with the MSG as requested.

In order to ensure the quality and independence of the exercise, Independent Administrators are required, in their proposal, to disclose any actual or potential conflicts of interest, together with commentary on how any such conflict can be avoided.

## Reporting requirements and time schedule for deliverables

The assignment is expected to commence on [August, 2015], culminating in the finalization of the EITI report by [ February 2016]. The proposed schedule is set out below:

Signing of contract	5 weeks after announcement of assignment
Scoping and Inception period	4 weeks
Presentation of the scoping study <u>HNL547R_FINAL REPORT</u>	1-2 days

Inception report	2 weeks
Reporting template	Attached to Inception Report
Training sessions for reporting entities	10 days
Data collection & initial reconciliation	4 weeks
Initial reconciliation report	3 weeks
Draft report	10 days
Final report	End of February , 2016

## Payments

The schedule of payments shall be as follows:

- (a) 10% percent of the Contract lump-sum amount allocated will be paid upon Mobilization after signing the contract agreement.
- (b) 30% percent of the Contract lump-sum amount will be paid upon the submission and approval of inception report by the client.
- (c) 40% of the contract lump sum amount will be paid against the submission and approval of draft reconciliation report from the AEITI MSG.
- (d) 20% of the contract lump sum amount allocated will be paid against the submission of the final forth Reconciliation Report and approval by AEITI and MSG.

## Client's input and counterpart personnel

The Independent Administrator shall have full access to relevant documentation at the Ministry of Mines and Petroleum (MoMP), Ministry of Finance (MoF) and the AEITI secretariat. Additionally the Independent Administrator shall be assisted by AEITI secretariat to contact extractive companies and government agencies and other relevant authorities at collecting EITI data and requesting any clarification/back-up information on payments made and revenues received.

The Independent Administrator's sub-contracted company (if the Independent Administrator sub-contacts a subsidiary) is expected to report the progress that it is making to the relevant MSG Working Group and the AEITI Secretariat on weekly basis. For further enrichment of the report incorporates the inputs received from the parities. The final report will be presented to the MSG meeting specially called for this purpose; and as soon as the MSG endorse the report the Independent Administrator can finalize the report with all the inputs received from the parties and the MSG incorporated.

The Independent Administrator or its sub-contracted company expected to take note of all meetings with the technical partners and the extractive companies and submit the records in hard and soft copies to the AEITI secretariat or the final 20% payment will get delayed. Any supporting document that the IA collects for the purpose to generate the Scoping Study and the Reconciliation reports shall be submitted in hard and soft copies to the AEITI Secretariat.

## Supporting material and selection criteria

Interested Independent Administrators must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, general qualifications and number of key staff, and so forth). Independent Administrators may associate to enhance their qualifications.

The Independent Administrator will be selected in accordance with Selection Based on Single Source Selection with the procedures set out in the World Bank Guidelines: Selection and Employment of Independent Consultants by World Bank Borrowers, May 6<sup>TH</sup> 2006 revised January 2011.

Note: The local representative of the firm/company must be fully aware of the EITI roles and must have close coordination with the AEITI Secretariat

## Annex 1 – Data Sheet on scope of services

Based on the first AEITI Scoping Study report and 3<sup>rd</sup> reconciliation report for 1390 the MSG proposes the following scope for the EITI.

### 1. Contextual Information

The Independent Administrator is tasked with collating the following contextual information in accordance with EITI Requirement 3.

<b>Contextual information to be provided in the EITI Report</b>	<b>Commentary on work to be undertaken by the Independent Administrator</b>
A description of the legal framework and fiscal regime governing the extractive industries (Requirement 3.2), in particular laws relevant to the information disclosed in the EITI report.	The IA is required to desk study the stated documents e.g. Mining / Petroleum law, and to specify the responsibilities of the relevant Govt. Agencies
An overview of the extractive industries, including any significant exploration activities (Requirement 3.3)	During the reconciliation reporting process and the meetings conducted with the stakeholder the IA will take note of the facts relevant to this part.
Where available, information about the contribution of the extractive industries to the economy for the fiscal year covered by the EITI Report (Requirement 3.4)	These information could also be found during the reporting process, MoMP and the MoF, Companies, AISA could be considered as the main source of information.
Production data for the fiscal year covered by the EITI Report (Requirement 3.5)	Total production volumes and the value of production by commodity and the total export volumes and the value of exports by commodity; the source of such data is the MoMP, MoF and the MoEc.
Information regarding state participation in the extractive industries (Requirement 3.6) <sup>3</sup>	Source of this information for which face to face meeting is recommended would be the MoMP Cadastre department.
Distribution of revenues from the extractive industries (Requirement 3.7)	Main source of data for this part would be MoF and the other ministries for comparison and during the consultation and info. sharing meetings could be collected
Any further information requested by the MSG on revenue management and expenditures (Requirement 3.8)	MoF Revenue and Customs departments, Ministry of Transportation, Ministry of Mine and Petroleum (including provincial offices)  AFG need to have the policy/strategy on revenue management

Information on the licensing process and register (Requirement 3.9) <sup>4</sup> and the allocation of licenses (Requirement 3.10) <sup>5</sup>	Cadastre Department of MoMP are the responsible Govt. party for this purpose. In some occasions for the businesses such as logistic and construction AISA and Ministry of Commerce and Industries issue licence.
Any information requested by the MSG on beneficial ownership (Requirement 3.11) <sup>6</sup>	MoMP ,MoF and AISA can be the main sources for information.
Any information requested by the MSG on contracts (Requirement 3.12) <sup>7</sup>	MoMP, AISA and Ministry of Commerce and Industries
[Add any other contextual information that the MSG has agreed to provide]	Nil

## 2. The taxes and revenues to be covered in the EITI Report (Requirement 4.1)<sup>8</sup>

<b>Benefit stream</b>	<b>Commentary on work to be undertaken by the Independent Administrator</b>
Royalty	All private extractive companies make this payment to MoMP
Surface fee	All private extractive companies make this payment to MoMP
Lease Government Property	All private extractive companies make this payment to MoMP
Rent of Government Buildings	All private extractive companies make this payment to MoMP
Licence Fee	All private extractive companies make this payment to MoMP
Permitting Fee	All private extractive companies make this payment to MoMP
Bid Fee	All private extractive companies make this

<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> HNL5471R\_FINAL REPORT

<sup>8</sup> 4-Feb-16

Ibid

	payment to MoMP
Premium and Bonuses	Some private extractive companies make this payment to MoMP
Penalties to MoMP	All private extractive companies make this payment to MoMP
Other payments including Social Investment, Municipality Payment and Environment Protection Fee	All companies make these payments to corresponding entities e.g. MoMP, Municipalities and NEPA
Import and Export Duties	All private extractive companies make this payment to Customs Dept. of MoF
Income Tax	All private and state-owned companies make this payment to Revenue Dept. of MoF
2% BRT	All private and state-owned companies make this payment to MoF
Salary Withholding	All private and state-owned companies make this payment to MoF
Rent Withholding	All private companies make this payment to MoF
Contract Withholding	All private and state-owned companies make this payment to MoF
Dividends	All private companies make this payment to MoF
Penalties to MoF	All private companies make this payment to MoF
5% BRT	All state-owned companies make this payment to MoF
Profit	All state-owned companies make this payment to MoF
Other payments to MoF and MoMP which are not included in above-mentioned types.	

### 3. List of reporting entities (companies and government agencies) (Requirement 4.2)

Scoping Study Report for the year 1390 contains a list of reporting entities including government and private extractive companies for year 1390. The Report is available at: [www.aeiti.af](http://www.aeiti.af)

### **Annex 2 – Supporting documentation provided**

Documentation on governance arrangements and tax policies in the extractive industries, including relevant legislation & regulations

- Income tax law
- Tax manual
- Procurement law
- Mineral and Hydrocarbon law

EITI work plans& other documents

- AEITI Country Work Plan
- AEITI Annual Progress report

Findings from preliminary scoping work

- Summary of (findings from scoping study)

Previous EITI Reports

- AEITI Reconciliation Reports
- AEITI Validation Report
- Progress Reports

Commentary on previous EITI Reports

- Discrepancies

Validation Reports

- Validation Report
- Shadow Validation Reports

Other relevant documentation (e.g. annual activity reports)

- Reports provided to donors

- Annual report (if any)

# **FOURTH AEITI REPORT**

## **APPENDIX 10.3**

**Reporting templates**

**Ministry of Finance, Revenue Department - Large Taxpayers Office**

**1st Hammal 1391 to 30th Qaws 1392**  
**20th March 2012 to 20th December 2013**

**INDEX TO TEMPLATES**

Prepared by

**Ministry of Finance, Large Taxpayers Office**Tax paying entity  
reported on**Include FULL LEGAL NAME of entity reported on here**

Use the tabs at the foot of the screen to move to the requisite screen

**Template Index****Payments to the LTO by the tax paying entity****Instructions and Guidance on Completion**

See the attached schedule and templates which gives guidance on the payments / receipts which are to be included

**Declaration**

In connection with the Reconciliation being carried out for the Afghanistan Extractive Industries Transparency Initiative Multi-stakeholder Group concerning benefit flows received by Government in Afghanistan during the fiscal period 1391 and fiscal year 1392, we confirm that



- the information contained in these templates has been properly and diligently prepared from the LTO's records after extensive enquiries of management and staff with the relevant knowledge and experience; and all the amounts paid/received are supported by genuine receipts and substantiated by documentary evidence

Signed on behalf of the Ministry of Finance, Revenue Department, Large Taxpayers Office by the Director General

Signature

Name (CAPITALS)

Office held

**Template Submission**

After completion, please submit by email attachment:-

The Index, with the management declaration completed and appropriately signed and stamped

All necessary supporting documentation, appropriately signed, including

Data collection templates

Copy / copies of the audited accounts

to Hart Nurse Limited (the Independent Administrator), at the email addresses below or to the TAGOrg office in Kabul

Questions about the completion of this template may be addressed to:

Name:

Babu A. Nambarath

Telephone:

Office: + (93-20) 2312688

Email:

Mobile: +(93) 7794 64384

with a copy to:

[afghanistan@tagi.com](mailto:afghanistan@tagi.com)[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

Name:

Fathi Abu Farah

Telephone:

++ 962 795 55 51 92

Email:

[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)

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David Quinn

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Email:

[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

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**Physical Address:** House No. 184,  
 Street 14, District 10,  
 Wazir Akbar Khan,  
 Kabul, Afghanistan

**Postal Address:**

Post Box 13004,  
 Qalai-e-Fathullah,  
 Kabul, Kabul

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE : FISCAL 1391 & 1392 RECONCILIATION

## Ministry of Finance, Large Taxpayers Office

### Guidance on completion of templates

Enter the full name of the tax paying entity; where the tax paying entity operates through a branch of an overseas company, please give details.

1. For each payment, provide details of the payment as shown on each template e.g:-

Receipt number  
 Date of payment  
 Currency of payment  
 Amount received (rounded to the nearest AFS)  
 Specific taxes to which the payment by the entity applies inclusive of interest and penalties

2. Enter only cash/cheque/electronic amounts received, do not enter amounts accrued.

3. Add rows as necessary to the templates.

4. Attach all necessary supporting documentation, appropriately signed, including

Data collection templates  
 Copy / copies of the audited accounts

5. Complete, sign and apply the Ministry of Finance, Revenue Department LTO stamp to the management attestation

6. Return a hard copy of the template, signed as requested, to

Babu A. Nambarath  
 Operations Manager - TAGOrg Offices, Afghanistan  
 Postal Address: Post Box 13004, Qalai-e-Fathullah, Kabul, Kabul  
 Physical Address: House No. 184, Street 14, District 10, Wazir Akbar Khan, Kabul, Afghanistan  
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 Mobile: +(93) 7794 64384

Return the completed template by email to the persons shown on the INDEX sheet

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[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

## Afghanistan Extractive Industries Transparency Initiative

Legal name of entity from which amounts received  
اسم الشركة المستلم منها

Tax Identification Number (TIN)  
الرقم الضريبي

Amounts received during period  
الفترة التي ت��ط فيها المبلغ المستلم

<b>1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)</b>

LTO Receipt # رقم إيصال مكتب كبار دافعي الضرائب	Date of payment DD/MM/YY تاريخ الدفعة	Amount received AFS المبلغ المستلم بالعملة الأفغانية	الدفعه موزعة حسب نوع الضريبة Payment allocation by category (NB - stated in AFS)									Other receipts
			Income Tax ضريبة الدخل	Business Receipts Tax ضريبة الاعمال	Withholding on Salaries ضريبة إقطاع على الرواتب	Withholding tax on rents ضريبة إقطاع على الإيجارات	Withholding tax on contracts ضريبة إقطاع على العقود	Withholding tax - other items ضريبة إقطاع - بند أخرى	Penalties	غرامات		
											Nature of receipt	Amount (AFS)
Total المجموع		-	-	-					-			-

**Ministry of Finance, Revenue Department - Medium Taxpayers Office**

**1st Hammal 1391 to 30th Qaws 1392**  
**20th March 2012 to 20th December 2013**

**INDEX TO TEMPLATES**

Prepared by

**Ministry of Finance, Medium Taxpayers Office**Tax paying entity  
reported on**Include FULL LEGAL NAME of entity reported on here**

Use the tabs at the foot of the screen to move to the requisite screen

**Template Index****Payments to the MTO by the tax paying entity****Instructions and Guidance on Completion**

See the attached schedule and templates which gives guidance on the payments / receipts which are to be included

**Declaration**

In connection with the Reconciliation being carried out for the Afghanistan Extractive Industries Transparency Initiative Multi-stakeholder Group concerning benefit flows received by Government in Afghanistan during the fiscal period 1391 and fiscal year 1392, we confirm that



- the information contained in these templates has been properly and diligently prepared from the MTO's records after extensive enquiries of management and staff with the relevant knowledge and experience; and all the amounts paid/received are supported by genuine receipts and substantiated by documentary evidence

Signed on behalf of the Ministry of Finance, Revenue Department, Medium Taxpayers Office by the Director General

Signature

Name (CAPITALS)

Office held

**Template Submission**

After completion, please submit by email attachment:-

The Index, with the management declaration completed and appropriately signed and stamped

All necessary supporting documentation, appropriately signed, including

Data collection templates

Copy / copies of the audited accounts

to Hart Nurse Limited (the Independent Administrator), at the email addresses below or to the TAGOrg office in Kabul

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with a copy to:Mobile: +(93) 7794 64384  
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TAGOrg Offices, Kabul

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Kabul, Afghanistan**Postal Address:**Post Box 13004,  
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[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)Name:  
Telephone:  
Email:David Quinn  
++44 18 44 21 88 36  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)Hart Group  
89 High Street, Oxfordshire OX9 3EH,  
England

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE : FISCAL 1391 & 1392 RECONCILIATION

## Ministry of Finance, Medium Taxpayers Office

### Guidance on completion of templates

Enter the full name of the tax paying entity; where the tax paying entity operates through a branch of an overseas company, please give details.

1. For each payment, provide details of the payment as shown on each template e.g:-

Receipt number  
 Date of payment  
 Currency of payment  
 Amount received (rounded to the nearest AFS)  
 Specific taxes to which the payment by the entity applies inclusive of interest and penalties

2. Enter only cash/cheque/electronic amounts received, do not enter amounts accrued.

3. Add rows as necessary to the templates.

4. Attach all necessary supporting documentation, appropriately signed, including

Data collection templates  
 Copy / copies of the audited accounts

5. Complete, sign and apply the Ministry of Finance, Revenue Department MTO stamp to the management attestation

6. Return a hard copy of the template, signed as requested, to

Babu A. Nambarath  
 Operations Manager - TAGOrg Offices, Afghanistan  
 Postal Address: Post Box 13004, Qalai-e-Fathullah, Kabul, Kabul  
 Physical Address: House No. 184, Street 14, District 10, Wazir Akbar Khan, Kabul, Afghanistan  
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[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

١٣٩٢ و ١٣٩١ المالية من جانب وزارة المالية، إدارة الابادات ، مكتبة

١٣٩٢ و ١٣٩١ - انتداب استانیه من جنوب و رازه استانیه ، اداره امیریات ، مکتب

entity from which amounts received      اسم الشركة المستلم منها

entity from which amounts received

### TIN Number (TIN) رقم الضريبي

الفترة التي تغطيها المبالغ المستلمة during period

**1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)**

**Ministry of Finance, Revenue Department - Small Taxpayers Office**

**1st Hammal 1391 to 30th Qaws 1392  
20th March 2012 to 20th December 2013**

**INDEX TO TEMPLATES**

Prepared by

**Ministry of Finance, Small Taxpayers Office**

Tax paying entity reported on

**Include FULL LEGAL NAME of entity reported on here**

Use the tabs at the foot of the screen to move to the requisite screen

**Template Index****Payments to the STO by the tax paying entity****Instructions and Guidance on Completion**

See the attached schedule and templates which gives guidance on the payments / receipts which are to be included

**Declaration**

In connection with the Reconciliation being carried out for the Afghanistan Extractive Industries Transparency Initiative Multi-stakeholder Group concerning benefit flows received by Government in Afghanistan during the fiscal period 1391 and fiscal year 1392, we confirm that



- the information contained in these templates has been properly and diligently prepared from the STO's records after extensive enquiries of management and staff with the relevant knowledge and experience; and all the amounts paid/received are supported by genuine receipts and substantiated by documentary evidence

Signed on behalf of the Ministry of Finance, Revenue Department, Small Taxpayers Office by the Director General

Signature

Name (CAPITALS)

Office held

**Template Submission**

After completion, please submit by email attachment:-

The Index, with the management declaration completed and appropriately signed and stamped

All necessary supporting documentation, appropriately signed, including

Data collection templates

Copy / copies of the audited accounts

to Hart Nurse Limited (the Independent Administrator), at the email addresses below or to the TAGOrg office in Kabul

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Name:

David Quinn

Telephone:

++44 18 44 21 88 36

Email:

[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

Hart Group

89 High Street, Oxfordshire OX9 3EH,  
England

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE : FISCAL 1391 & 1392 RECONCILIATION

## Ministry of Finance, Small Taxpayers Office

### Guidance on completion of templates

Enter the full name of the tax paying entity; where the tax paying entity operates through a branch of an overseas company, please give details.

1. For each payment, provide details of the payment as shown on each template e.g:-

Receipt number  
 Date of payment  
 Currency of payment  
 Amount received (rounded to the nearest AFS)  
 Specific taxes to which the payment by the entity applies inclusive of interest and penalties

2. Enter only cash/cheque/electronic amounts received, do not enter amounts accrued.

3. Add rows as necessary to the templates.

4. Attach all necessary supporting documentation, appropriately signed, including

Data collection templates  
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5. Complete, sign and apply the Ministry of Finance, Revenue Department MTO stamp to the management attestation

6. Return a hard copy of the template, signed as requested, to

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 Operations Manager - TAGOrg Offices, Afghanistan  
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[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

## Afghanistan Extractive Industries Transparency Initiative

Legal name of entity from which amounts received

اسم الشركة المستلم منها
الرقم الضريبي (TIN)
الفترة التي تغطيها المبلغ المستلم

1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)

Amounts received during period

STO Receipt # إيصال مكتب صغار دافعي الضرائب	Date of payment DD/MM/YY تاريخ الدفع	Amount received AFS المبلغ المستلم بالعملة الأفغانية	الدفعية موزعة حسب نوع الضريبة									Other receipts
			Income Tax ضريبة الدخل	Business Receipts Tax ضريبة الأعمال	Withholding on Salaries ضريبة إقطاع على الرواتب	Withholding tax on rents ضريبة إقطاع على الإيجارات	Withholding tax on contracts ضريبة إقطاع على العقود	Withholding tax - other items ضريبة إقطاع - بند أخرى	Penalties	غرامات		
											Nature of receipt	Amount (AFS)
Total المجموع			-	-	-				-			-

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

## FISCAL 1391 & 1392 RECONCILIATION

**1st Hammal 1391 to 30th Qaws 1392**  
**20th March 2012 to 20th December 2013**

### INDEX TO TEMPLATES

Prepared by

Ministry of Finance, Customs Department

Tax paying entity reported on

Include **FULL LEGAL NAME** of entity reported on here

Use the tabs at the foot of the screen to move to the requisite screen

#### Template Index

- 1  Payments to the Customs Department by the tax paying entity

#### Instructions and Guidance on Completion

See the attached schedule and templates which gives guidance on the payments / receipts which are to be included

#### Declaration

In connection with the Reconciliation being carried out for the Afghanistan Extractive Industries Transparency Initiative Multi-stakeholder Group concerning benefit flows received by Government in Afghanistan during the fiscal period 1391 and fiscal year 1392, we confirm that



1. the information contained in these templates has been properly and diligently prepared from the Customs Department's records after extensive enquiries of management and staff with the relevant knowledge and experience; and all the amounts paid/received are supported by genuine receipts and substantiated by documentary evidence

Signed on behalf of the Ministry of Finance, Customs Department by the Director or Director General

Signature



Name (CAPITALS)



Office held



#### Template Submission

After completion, please submit by email attachment:-

The Index, with the management declaration completed and appropriately signed and stamped

All necessary supporting documentation, appropriately signed, including

Data collection templates

Copy / copies of the audited accounts

to **Hart Nurse Limited (the Independent Administrator)**, at the email addresses below or to the TAGOrg office in Kabul

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Wazir Akbar Khan,  
Kabul, Afghanistan**Postal Address:**  
Post Box 13004,  
Qalai-e-Fathullah,  
Kabul, KabulName:  
Telephone:  
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[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)Hart Group  
89 High Street, Oxfordshire OX9 3EH,  
EnglandName:  
Telephone:  
Email:David Quinn  
++44 18 44 21 88 36  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE : FISCAL 1391 & 1392 RECONCILIATION

## Ministry of Finance, Customs Department

### Guidance on completion of templates

Enter the full name of the tax paying entity; where the tax paying entity operates through a branch of an overseas company, please give details.

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Data collection templates  
 Copy / copies of the audited accounts

5. Complete, sign and apply the Ministry of Finance, Customs Department stamp to the management attestation

6. Return a hard copy of the template, signed as requested, to

Babu A. Nambarath  
 Operations Manager - TAGOrg Offices, Afghanistan  
 Postal Address: Post Box 13004, Qalai-e-Fathullah, Kabul, Kabul  
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[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

**Legal name of entity from which amounts received** **الشركة المستلم منها** **رسم**

**Tax Identification Number (TIN) رقم الضريبي**

### *Custom Registration Number*

**فترة التي تغطيها المبالغ المستلمة Amounts received during period**

**1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)**

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

## FISCAL 1391 & 1392 RECONCILIATION

**1st Hammal 1391 to 30th Qaws 1392**  
**20th March 2012 to 20th December 2013**

### INDEX TO TEMPLATES

Prepared by

Ministry of Mines and Petroleum

Entity Name:

Include **FULL LEGAL NAME** of entity reported on here

Use the tabs at the foot of the screen to move to the requisite screen

#### Template Index

1.  Payments to the MOMP by the tax paying entity
2.  Production Data

#### Instructions and Guidance on Completion

See the attached schedule and templates which gives guidance on the payments / receipts which are to be included

#### Declaration

In connection with the Reconciliation being carried out for the Afghanistan Extractive Industries Transparency Initiative Multi-stakeholder Group concerning benefit flows received by Government in Afghanistan during the fiscal period 1391 and fiscal year 1392, we confirm that

1. the information contained in these templates has been properly and diligently prepared from the MOMP's records after extensive enquiries of management and staff with the relevant knowledge and experience; and all the amounts paid/received are supported by genuine receipts and substantiated by documentary evidence

Signed on behalf of the Ministry of Mines and Petroleum by Director General

Signature

---

Name (CAPITALS)

---

Office held

---

#### Template Submission

After completion, please submit by email attachment:-

The Index, with the management declaration completed and appropriately signed and stamped

All necessary supporting documentation, appropriately signed, including

Data collection templates

Copy / copies of the audited accounts

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++44 18 44 21 88 36  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)Hart Group  
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England

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE : FISCAL 1391 & 1392 RECONCILIATION

## Ministry of Mines and Petroleum

### Guidance on completion of templates

Enter the full name of the tax paying entity; where the tax paying entity operates through a branch of an overseas company, please give details.

1. For each payment, provide details of the payment as shown on each template e.g:-  
 Receipt number  
 Date of payment  
 Currency of payment  
 Amount received (rounded to the nearest AFS)
2. Enter only cash/cheque/electronic amounts received, do not enter amounts accrued.
3. Add rows as necessary to the templates.
4. Attach all necessary supporting documentation, appropriately signed, including  
 Data collection templates  
 Copy / copies of the audited accounts
5. Complete, sign and apply the Ministry of Mines and Petroleum stamp to the management attestation
6. Show a US\$ amount only if the payment was made in US\$, in which case also show the AFS equivalent as recorded in MOMP's accounts.
7. Return a hard copy of the template, signed as requested, to

Babu A. Nambarath  
 Operations Manager - TAGOrg Offices, Afghanistan  
 Postal Address: Post Box 13004, Qalai-e-Fathullah, Kabul, Kabul  
 Physical Address: House No. 184, Street 14, District 10,  
 Wazir Akbar Khan, Kabul, Afghanistan  
 Tel: + (93-20) 2312688  
 Mobile: +(93) 7794 64384

Return the completed template by email to the persons shown

[afghanistan@tagi.com](mailto:afghanistan@tagi.com)  
[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

## Afghanistan Extractive Industries Transparency Initiative

1391 (2012) &amp; 1392 (2013) Fiscal Years - Payments received by the Ministry of Mines and Petroleum

السنة المالية 1391 و 1392 - الدفعات المستلمة من جانب وزارة المعادن والبترول

Legal name of entity from which amounts received بسم الشركة المستلم منها

Amounts received during period الفترة التي تغطيها المبالغ المستلمة

1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)

Licence details تفاصيل الترخيص

Licence number رقم الترخيص

Name of reserve اسم المنجم

Template 1

MOMP Receipt # رقم إيصال وزارة المعادن والبترول	Date of payment DD/MM/YY تاریخ الدفعه	Currency in which payment made العملة	المبلغ المدفوع		الدفعه موزعة حسب النوع (NB - stated in AFS)									
			US \$ الدولار الأمريكي	AFS العملة الأفغانية	Royalty حقوق الملكية	Premiums and Bonuses مكافآت و علاوات	Bid fees رسوم العطاء	Penalties and fines غرامات و غرامات	Land fees رسوم الأرض	Licence fees رسوم الترخيص	Permitting fees رسوم التحويل	Bid and other security الكتلالة و خدمات أخرى	Lease of government land دفعات إيجار أرض الحكومة	Rent of government buildings إيجار مباني الحكومة
Total	المجموع	-	-	-	-	-	-	-	-	-	-	-	-	-

## Afghanistan Extractive Industries Transparency Initiative

2012 &amp; 2013 Fiscal Years - Production data

السنة المالية 1391 و 1392 - بيانات الانتاج

Legal name of producing entity اسم الشركة المنتجة

Production during the period الفترة التي ينطويها الإنتاج

**1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)**

Licence details تفاصيل الترخيص

Licence number رقم الترخيص

Name of reserve اسم المنجم

Production for the month of:-	الشهر	Product المنتج	Unit of measure وحدة القياس	Volume الكمية	Details التفاصيل
March - April 2012 (Hammal 1391)					
May 2012 (Thour 1391)					
June 2012 (Jawza'a 1391)					
July 2012 (Saratan 1391)					
August 2012 (Asad 1391)					
September 2012 (Sunbula 1391)					
October 2012 (Mezan 1391)					
November 2012 (Aqrab 1391)					
December 2012 (Qaws 1391)					
Jan 2013 (Jady 1392)					
Feb 2013 (Hout 1392)					
March 2013 (Dalw 1392)					
April 2013 (Hammal 1392)					
May 2013 (Thour 1392)					
June 2013 (Jawza'a 1392)					
July 2013 (Saratan 1392)					
August 2013 (Asad 1392)					
September 2013 (Sunbula 1392)					
October 2013 (Mezan 1392)					
November 2013 (Aqrab 1392)					
December 2013 (Qaws 1392)					
Total	المجموع				

Note:- Production should be entered for the whole (Gregorian calendar) month shown. Do not adjust March or December production for the part month covered by the Report

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE : FISCAL 1391 & 1392 RECONCILIATION COMPANY TEMPLATE

**1st Hammal 1391 to 30th Qaws 1392**  
**20th March 2012 to 20th December 2013**

## INDEX TO TEMPLATES

Full legal name of the organisation

Insert full name of reporting entity here

Use the tabs at the foot of the screen to move to the requisite screen

### Template Index

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

- Payments to the Ministry of Finance, Large, Medium & Small Taxpayers Offices ("MOF, Tax")
- Payments to the Ministry of Finance, Customs Department ("MOF, Customs")
- Payments to the Ministry of Mines and Petroleum ("MOMP")
- Production Data
- Social expenditure and infrastructure payments
- Company ownership details

### Instructions and Guidance on Completion

See the attached schedule and templates which gives guidance on the payments / receipts which are to be included

### Declaration

In connection with the Reconciliation being carried out for the Afghanistan Extractive Industries Transparency Initiative Multi-stakeholder Group concerning benefit flows received by Government in Afghanistan during the fiscal period 1391 & fiscal year 1392, we confirm that

- 1. the information contained in these templates has been properly and diligently prepared from the company's records after extensive enquiries of management and staff with the relevant knowledge and experience; and the templates are a complete declaration of all amounts required to be declared under the Afghanistan EITI report
- 2. all the amounts paid/received are supported by genuine receipts and substantiated by documentary evidence, and do not include amounts paid / received on behalf of other entities;
- 3. Audited financial statements
  - EITHER
    - a. a copy of the company's audited financial statements, including the audit opinion, covering the fiscal period 1391 and fiscal year 1392 is included with these templates
  - OR
    - b. the company did not prepare audited financial statements

Signed on behalf of the company by President / Chairman/ Owner / Board level signatory

Signature

Name (CAPITALS)

Office held

### Template Submission

After completion, please submit by email attachment:-

1. The Index, with the management declaration completed and appropriately signed and stamped
2. All necessary supporting documentation, appropriately signed, including
  - Data collection templates
  - Copy / copies of the audited accounts
  - Copies of receipts to evidence payments made to the Ministry of Finance, Large Taxpayers Office and Customs Department; and to the Ministry of Mines and Petroleum

to Hart Nurse Limited (the Independent Administrator), at the email addresses below or to the TAGOrg office in Kabul

Questions about the completion of this template may be addressed to:

Name: Babu A. Nambarati  
 Telephone: Office: + (93-20) 2312688  
              Mobile: +(93) 7794 64384  
 Email: [afghanistan@tagi.com](mailto:afghanistan@tagi.com)  
        [fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
        [davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

Name: Fathi Abu Farah  
 Telephone: ++ 962 795 55 51 92  
 Email: [fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)

Name: David Quinn  
 Telephone: ++44 18 44 21 88 36  
 Email: [davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

TAGOrg Offices, Kabul  
**Physical Address:** House No. 184,  
 Street 14, District 10,  
 Wazir Akbar Khan,  
 Kabul, Afghanistan

**Postal Address:**  
 Post Box 13004,  
 Qalai-e-Fathullah,  
 Kabul, Kabul

Hart Group  
 89 High Street, Oxfordshire OX9 3EH,  
 England

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE: APPENDIX 10.3 FISCAL 1391 & 1392 RECONCILIATION

## 1st Hammal 1391 to 30th Qaws 1392

20th March 2012 to 20th December 2013

### Guidance on completion of templates

Enter the full name of the company; where the company operates through a branch of an overseas company, please give details.

- For each type of payment, provide details of the payment as shown on each template e.g.:-

Payment date  
Amount of payment  
Currency of payment  
Payee (name of entity payment is made to)  
Description (reason for payment)

- Enter only cash amounts paid, do **not** enter amounts accrued. For production, enter volumes of product produced in each (Gregorian calendar) month.

Do not enter part month's production for March and December. This will be adjusted for by the Independent Administrator,

- For payments to MOMP and for production, complete a separate sheet for each licence held.

- Add rows as necessary to the templates, or provide a second page if required.

- If no payments were made, enter "0" in the relevant box. If no payments were made on a template, enter "NIL RETURN" and return the template.

N.B. All templates must be returned, including "Nil Returns".

- Attach all necessary supporting documentation, appropriately signed, including

Data collection templates  
Copy / copies of the audited financial statements  
Copies of receipts to evidence payments made to the MOF and MOMP.

- Complete, sign and apply the company stamp to the management attestation

- Show a US\$ amount only if the payment was made in US\$, in which case also show the AFS equivalent as recorded in the company's accounts.

- All social expenditure paid in the period should be entered. These include all legal, contractual or voluntary payments and gifts to community organisations, including schools, colleges, universities and other educational establishments, community centres, hospitals and clinics, cultural organisations, choirs, religious and charitable groups, etc.

- Infrastructure payments to be included are payments made towards infrastructural developments for the general public in accordance with agreements with the Government of Afghanistan and/or its agencies.

- Return a hard copy of the template, signed as requested, to

Babu A. Nambarath  
Operations Manager - TAGOrg Offices, Afghanistan  
Postal Address: Post Box 13004, Qalai-e-Fathullah, Kabul, Kabul  
Physical Address: House No. 184, Street 14, District 10, Wazir Akbar Khan, Kabul, Afghanistan  
Tel: + (93-20) 2312688  
Mobile: +(93) 7794 64384

Return the completed template by email to the persons shown on the INDEX sheet

[afghanistan@tagi.com](mailto:afghanistan@tagi.com)  
[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

Afghanistan Extractive Industries Transparency Initiative

### Template 1

## 1391 (2012) & 1392 (2013) Fiscal Years - Payments to the Ministry of Finance, Revenue Department, Large, Medium & Small Taxpayers Office

السنة المالية 1391 و 1392 - الدفقات لوزارة المالية، إدارة الإيرادات ، مكتبى كبار وصغار دافعي الضرائب

Legal name of entity making payments      **اسم الشركة**

الرقم الضريبي (TIN) Tax Identification Number

**الفترة التي تغطيها الدفعات Payments made during the period**

1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)

Afghanistan Extractive Industries Transparency Initiative

## **1391 (2012) & 1392 (2013) Fiscal Years - Payments to the Ministry of Finance, Customs Department**

السنة المالية 1391 و 1392 - الدفعات لوزارة المالية ، إدارة الجمارك

Legal name of entity making payments      سُم الشرکة

الفترة التي تغطيها الدفعات Payments made during the period

**1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)**

Afghanistan Extractive Industries Transparency Initiative

1391 (2012) & 1392 (2013) Fiscal Years - Payments to the Ministry of Mines and Petroleum

السنة المالية 1391 و 1392 - الدفعات لوزارة المعادن والمتروول

Legal name of entity making payments اسم الشركة

**ANSWER** The answer is 1000.

الفترة التي تغطيها الدفعات Payments made during the period

1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)

Licence details تفاصيل الترخيص Licence number رقم الترخيص

### Name of reserve      **اسم المتنزه**

Enter EITHER amount of US\$ paid  
and AFS equivalent OR AFS amount  
أدخل إما المبلغ المدفوع بالدولار الأمريكي  
و ما يعادله بالعملة الأفغانية أو المبلغ المدفوع  
بالمعلمة الأفغانية

## Afghanistan Extractive Industries Transparency Initiative

1391 (2012) &amp; 1392 (2013) Fiscal Years - Production data

السنة المالية 1391 - بيانات الإنتاج

Template 4

Legal name of producing entity اسم الشركة

Production during the period الفترة التي يغطيها الإنتاج

Licence details تفاصيل الترخيص

Licence number رقم الترخيص

Name of reserve اسم المنجم

Production for the month of:- شهر الإنتاج	Product المنتج	Unit of measure وحدة القياس	Volume الكمية	Details التفاصيل
March - April 2012 (Hammal 1391)				
May 2012 (Thour 1391)				
June 2012 (Jawza'a 1391)				
July 2012 (Saratan 1391)				
August 2012 (Asad 1391)				
September 2012 (Sunbula 1391)				
October 2012 (Mezan 1391)				
November 2012 (Aqrab 1391)				
December 2012 (Qaws 1391)				
Jan 2013 (Jady 1392)				
Feb 2013 (Hout 1392)				
March 2013 (Dalw 1392)				
April 2013 (Hammal 1392)				
May 2013 (Thour 1392)				
June 2013 (Jawza'a 1392)				
July 2013 (Saratan 1392)				
August 2013 (Asad 1392)				
September 2013 (Sunbula 1392)				
October 2013 (Mezan 1392)				
November 2013 (Aqrab 1392)				
December 2013 (Qaws 1392)				
Total المجموع				

**Note:-** Production should be entered for the whole (Gregorian calendar) month shown. Do not adjust March or December production for the part month covered by the Report

Afghanistan Extractive Industries Transparency Initiative

1391 (2012) & 1392 (2013) Fiscal Years - Social Expenditure and Infrastructure payments

السنة المالية 1391 و 1392 - دفعات المنح الاجتماعية والبنية التحتية

## Template

Legal name of entity making payments اسم الشركة

**ANSWER** The answer is 1000. The area of the rectangle is  $10 \times 100 = 1000$ .

**الفترة التي تغطيها الدفعات Payments made during the period**

1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)

الرجاء التعريريات في فقرة 9 و 10 في ملاحظات الاسترشاد

## Social Expenditure: المنح الاجتماعية

## دفعات البنية التحتية Infrastructure payments:

**Afghanistan Extractive Industries Transparency Initiative**  
**1391 (2012) & 1392 (2013) Fiscal Years - Company ownership**

Template 6

السنة المالية 1391 و 1392 - بيانات ملكية الشركة

Legal name of entity      إسم الشركة

Reporting Period      الفترة

**1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)**

Shareholder	إسم المساهم	No of Shares Held	عدد الأسهم المملوكة
Total Shares in Issue	مجموع الأسهم المملوكة		

All shareholders holding more than 10% of the shares in issue must be shown individually

# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE : FISCAL 1391 & 1392 RECONCILIATION

## STATE OWNED ENTERPRISE (SOE) TEMPLATE

**1st Hammal 1391 to 30th Qaws 1392**  
**20th March 2012 to 20th December 2013**

### INDEX TO TEMPLATES

Full legal name of the organisation

Insert full name of reporting entity here

Use the tabs at the foot of the screen to move to the requisite screen

#### Template Index

- 1
- 2
- 3
- 4
- 5
- 6

- Payments to the Ministry of Finance, Large, Medium & Small Taxpayers Offices ("MOF, Tax")
- Payments to the Ministry of Finance, Customs Department ("MOF, Customs")
- Payments to the Ministry of Mines and Petroleum ("MOMP")
- Production Data
- Social expenditure and infrastructure payments
- Other payments to government

#### Instructions and Guidance on Completion

See the attached schedule and templates which gives guidance on the payments / receipts which are to be included

#### Declaration

In connection with the Reconciliation being carried out for the Afghanistan Extractive Industries Transparency Initiative Multi-stakeholder Group concerning benefit flows received by Government in Afghanistan during the fiscal period 1391 & fiscal year 1392, we confirm that

- 1. the information contained in these templates has been properly and diligently prepared from the company's records after extensive enquiries of management and staff with the relevant knowledge and experience; and the templates are a complete declaration of all amounts required to be declared under the Afghanistan EITI report
- 2. all the amounts paid/received are supported by genuine receipts and substantiated by documentary evidence, and do not include amounts paid / received on behalf of other entities;
- 3. Audited financial statements
  - EITHER
    - a. a copy of the company's audited financial statements, including the audit opinion, covering the fiscal period 1391 and fiscal year 1392 is included with these templates
  - OR
    - b. the company did not prepare audited financial statements

Signed on behalf of the company by President / Chairman/ Owner / Board level signatory

Signature

Name (CAPITALS)

Office held

#### Template Submission

After completion, please submit by email attachment:-

1. The Index, with the management declaration completed and appropriately signed and stamped
2. All necessary supporting documentation, appropriately signed, including
  - Data collection templates
  - Copy / copies of the audited accounts
  - Copies of receipts to evidence payments made to the Ministry of Finance, Large Taxpayers Office and Customs Department; and to the Ministry of Mines and Petroleum; and to other Government Ministries (if applicable)

to Hart Nurse Limited (the Independent Administrator), at the email addresses below or to the TAGOrg office in Kabul

Questions about the completion of this template may be addressed to:

Name: Babu A. Nambarath  
 Telephone: Office: + (93-20) 2312688  
              Mobile: +(93) 7794 64384  
 Email: [afghanistan@tagi.com](mailto:afghanistan@tagi.com)  
        with a copy to: [fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
                   [davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

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 Street 14, District 10,  
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 Kabul, Kabul

Name: Fathi Abu Farah  
 Telephone: ++ 962 795 55 51 92  
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 89 High Street, Oxfordshire OX9 3EH,  
 England

Name: David Quinn  
 Telephone: +44 18 44 21 88 36  
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# AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE: APPENDIX 10.3 FISCAL 1391 & 1392 RECONCILIATION

## 1st Hammal 1391 to 30th Qaws 1392

20th March 2012 to 20th December 2013

### Guidance on completion of templates

Enter the full name of the company; where the company operates through a branch of an overseas company, please give details.

- For each type of payment, provide details of the payment as shown on each template e.g.:-

Payment date  
Amount of payment  
Currency of payment  
Payee (name of entity payment is made to)  
Description (reason for payment)

- Enter only cash amounts paid, do **not** enter amounts accrued. For production, enter volumes of product produced in each (Gregorian calendar) month.

Do not enter part month's production for March and December. This will be adjusted for by the Independent Administrator,

- For payments to MOMP and for production, complete a separate sheet for each licence held.

- Add rows as necessary to the templates, or provide a second page if required.

- If no payments were made, enter "0" in the relevant box. If no payments were made on a template, enter "NIL RETURN" and return the template.

N.B. All templates must be returned, including "Nil Returns".

- Attach all necessary supporting documentation, appropriately signed, including

Data collection templates  
Copy / copies of the audited financial statements  
Copies of receipts to evidence payments made to the MOF and MOMP.

- Complete, sign and apply the company stamp to the management attestation

- Show a US\$ amount only if the payment was made in US\$, in which case also show the AFS equivalent as recorded in the company's accounts.

- All social expenditure paid in the period should be entered. These include all legal, contractual or voluntary payments and gifts to community organisations, including schools, colleges, universities and other educational establishments, community centres, hospitals and clinics, cultural organisations, choirs, religious and charitable groups, etc.

- Infrastructure payments to be included are payments made towards infrastructural developments for the general public in accordance with agreements with the Government of Afghanistan and/or its agencies.

- Template 6 is to be used to report payments to government other than those reported on Templates 1 - 3. Certain of these payments are specified, but if payments are made to government other than those listed, full details are to be given on this template. This includes payments to sub national government. The government ministry or sub national government entity receiving the payment should be listed in each case.

- Return a hard copy of the template, signed as requested, to

Babu A. Nambarath  
Operations Manager - TAGOrg Offices, Afghanistan  
Postal Address: Post Box 13004, Qalai-e-Fathullah, Kabul, Kabul  
Physical Address: House No. 184, Street 14, District 10, Wazir Akbar Khan, Kabul, Afghanistan  
Tel: + (93-20) 2312688  
Mobile: +(93) 7794 64384

Return the completed template by email to the persons shown on the INDEX sheet

[afghanistan@tagi.com](mailto:afghanistan@tagi.com)  
[fathi@mutarabitoon.com](mailto:fathi@mutarabitoon.com)  
[davidquinn@hart-group.com](mailto:davidquinn@hart-group.com)

### Template 1

Afghanistan Extractive Industries Transparency Initiative

## 1391 (2012) & 1392 (2013) Fiscal Years - Payments to the Ministry of Finance, Revenue Department, Large, Medium & Small Taxpayers Office

السنة المالية 1391 و 1392 - الدفعات لوزارة المالية ، إدارة الإيرادات ، مكتبي كبار وصغر دافعي الضرائب

Legal name of entity making payments      **اسم الشركة**

**الرقم الضريبي (TIN) Tax Identification Number**

**الفترة التي تغطيها الدفعات Payments made during the period**

**1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)**

Afghanistan Extractive Industries Transparency Initiative  
20th March 2012 to 20th December 2012 (Fiscal Year 1391)  
1st December 2012 to 31st December 2012 (Fiscal Year 1392)

## **1391 (2012) & 1392 (2013) Fiscal Years - Payments to the Ministry of Finance, Customs Department**

السنة المالية 1391 و 1392 - الدفعات لوزارة المالية ، إدارة الجمارك

Legal name of entity making payments      سُمُّ الشَّرْكَةِ الْمُؤْمِنَةِ

الفترة التي تغطيها الدفعات Payments made during the period

**1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)**

## Afghanistan Extractive Industries Transparency Initiative

1391 (2012) &amp; 1392 (2013) Fiscal Years - Production data

السنة المالية 1391 - بيانات الإنتاج

Template 3

Legal name of producing entity اسم الشركة

Production during the period الفترة التي يغطيها الإنتاج

Licence details تفاصيل الترخيص

Licence number رقم الترخيص

Name of reserve اسم المنجم

Production for the month of:- شهر الإنتاج	Product المنتج	Unit of measure وحدةقياس	Volume الكمية	Details التفاصيل
March - April 2012 (Hammal 1391)				
May 2012 (Thour 1391)				
June 2012 (Jawza'a 1391)				
July 2012 (Saratan 1391)				
August 2012 (Asad 1391)				
September 2012 (Sunbula 1391)				
October 2012 (Mezan 1391)				
November 2012 (Aqrab 1391)				
December 2012 (Qaws 1391)				
Jan 2013 (Jady 1392)				
Feb 2013 (Hout 1392)				
March 2013 (Dalw 1392)				
April 2013 (Hammal 1392)				
May 2013 (Thour 1392)				
June 2013 (Jawza'a 1392)				
July 2013 (Saratan 1392)				
August 2013 (Asad 1392)				
September 2013 (Sunbula 1392)				
October 2013 (Mezan 1392)				
November 2013 (Aqrab 1392)				
December 2013 (Qaws 1392)				
Total المجموع				

**Note:-** Production should be entered for the whole (Gregorian calendar) month shown. Do not adjust March or December production for the part month covered by the Report

Afghanistan Extractive Industries Transparency Initiative

1391 (2012) & 1392 (2013) Fiscal Years - Social Expenditure and Infrastructure payments

السنة المالية 1391 و 1392 - دفعات المنح الاجتماعية والبنية التحتية

## Template

Legal name of entity making payments اسم الشركة

**ANSWER** The answer is 1000.

**الفترة التي تغطيها الدفعات Payments made during the period**

1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)

See the definitions given in paragraphs 9 & 10 of the guidance notes

### Social Expenditure: المنح الاجتماعية

## Infrastructure payments: دفعات البنية التحتية

Payee	الجهة المدفوع لها	Date of payment تاريخ الدفع	Currency	العملة	Amount	المبلغ		Details	التفاصيل
Total	المجموع				-				

## Afghanistan Extractive Industries Transparency Initiative 1391 (2012) & 1392 (2013) Fiscal Years - Other payments to Government

### Template 5

1391 1392

Legal name of entity

Reporting Period 5

Reporting Period 1st Hammal 1391 to 30th Qaws 1392 (20th March 2012 to 20th December 2013)

# **FOURTH AEITI REPORT**

## **APPENDIX 10.4a**

**Reconciliation analysed by company**

**20<sup>th</sup> March 2012 to 20<sup>th</sup> December 2012 (1391)**

Reporting Entity Name:

**Northern Coal Enterprise****Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		-	250,130,594	(250,130,594)			(250,130,594)	-	-
2	Business Receipt Tax		1,284,233,018	32,044,836	1,252,188,182			1,252,188,182	1,284,233,018	1,284,233,018
3	Withholding on salary		2,000,000	3,700,000	(1,700,000)		1,700,000		3,700,000	3,700,000
4	Withholding tax on Rent				-		652,324		1,652,324	1,652,324
5	Withholding tax on contract		1,000,000	1,652,324	(652,324)				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties				-				-	-
8	Other (transferable share, shares,others)			1,217,824,570	(1,217,824,570)		215,766,982	(1,002,057,588)	215,766,982	215,766,982
9	Other Receipts			-	-		218,119,306	-	-	-
<b>Sub-total - MOF Tax</b>		Tax	<b>1,287,233,018</b>	<b>1,505,352,324</b>	<b>(218,119,306)</b>		<b>218,119,306</b>		<b>1,505,352,324</b>	<b>1,505,352,324</b>
12	Royalties				-				-	-
13	Premium and Bonuses				-				-	-
14	Bid Fees				-				-	-
15	Penalties and Fines				-				-	-
16	Land Fees				-				-	-
17	Licence Fees				-				-	-
18	permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land				-				-	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total - MOMP</b>		MOMP	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total - Customs</b>		Customs	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>1,287,233,018</b>	<b>1,505,352,324</b>	<b>(218,119,306)</b>		<b>218,119,306</b>		<b>1,505,352,324</b>	<b>1,505,352,324</b>

Reporting Entity Name:

**Afghan Gas Enterprise****Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Difference	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		-	-	-			-	-	-
2	Business Receipt Tax		39,382,169	7,210,598	32,171,571		33,574,087	39,382,169	40,784,685	(1,402,516)
3	Withholding on salary		546,104	661,770	(115,666)		89,978	546,104	751,748	(205,644)
4	Withholding tax on Rent		-	-	-		(89,978)	100,832	24,375	76,457
5	Withholding tax on contract		100,832	114,353	(13,521)		(23,574,087)	-	4,375,030	(4,375,030)
6	Withholding Tax-Other items		-	27,949,117	(27,949,117)			-	-	-
7	Penalties		-	-	-			10,000,000	10,000,000	-
8	Other (transferable share, shares,others)		-	20,000,000	(20,000,000)			-	-	-
9	Other Receipts		-	-	-			10,000,000	10,000,000	-
<b>Sub-total - MOF Tax</b>		Tax	<b>40,029,105</b>	<b>55,935,838</b>	<b>(15,906,733)</b>			<b>10,000,000</b>	<b>10,000,000</b>	<b>-</b>
12	Royalties		-	-	-			-	-	-
13	Premium and Bonuses		-	-	-			-	-	-
14	Bid Fees		-	-	-			-	-	-
15	Penalties and Fines		-	-	-			-	-	-
16	Land Fees		-	-	-			-	-	-
17	Licence Fees		-	-	-			-	-	-
18	permitting Fees		-	-	-			-	-	-
19	Bid and other securities		-	-	-			-	-	-
20	Lease of Government Land		-	-	-			-	-	-
21	Rent of Government Buildings		-	-	-			-	-	-
22	Misc. Revenues		-	-	-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
23	Imports Duties		-	-	-			-	-	-
24	BRT		-	-	-			-	-	-
25	Fixed Tax on imports		-	-	-			-	-	-
26	Other Receipts		-	-	-			-	-	-
<b>Sub-total - Customs</b>		Customs	<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>40,029,105</b>	<b>55,935,838</b>	<b>(15,906,733)</b>			<b>10,000,000</b>	<b>-</b>	<b>-</b>
								<b>50,029,105</b>	<b>55,935,838</b>	<b>(5,906,733)</b>

Reporting Entity Name:

**MMC - JCL Aynak Minerals Company Ltd.****Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Difference	Government		Companies	Difference
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		-			-				-
2	Business Receipt Tax				-	-			-	-
3	Withholding on salary		39,394,519		39,249,559	144,960			39,394,519	
4	Withholding tax on Rent		783,766		783,766	-			783,766	
5	Withholding tax on contract		15,191,055		9,321,613	5,869,442	74,938		15,265,993	
6	Withholding Tax-Other items					-			-	-
7	Penalties					-			-	-
8	Other(transferable share, shares,others)					-			-	-
9	Other Receipts					-			-	-
<b>Sub-total - MOF Tax</b>		<b>Tax</b>	<b>55,369,340</b>	<b>49,354,938</b>	<b>6,014,402</b>		<b>74,938</b>	<b>6,089,340</b>	<b>55,444,278</b>	<b>55,444,278</b>
12	Royalties					-			-	-
13	Premium and Bonuses		2,500,498,750		2,500,498,750	-			2,500,498,750	
14	Bid Fees					-			-	-
15	Penalties and Fines					-			-	-
16	Land Fees					-			-	-
17	Licence Fees					-			-	-
18	permitting Fees					-			-	-
19	Bid and other securities					-			-	-
20	Lease of Government Land					-			-	-
21	Rent of Government Buildings					-			-	-
22	Misc. Revenues					-			-	-
<b>Sub-total - MOMP</b>		<b>MOMP</b>	<b>2,500,498,750</b>	<b>2,500,498,750</b>	<b>-</b>				<b>2,500,498,750</b>	<b>2,500,498,750</b>
23	Imports Duties		1,561,961			1,561,961			1,561,961	
24	BRT		197,279			197,279			197,279	
25	Fixed Tax on imports		3,528,663		3,232,742	295,921			3,528,663	
26	Other Receipts		261,907		61,713	200,194			261,907	
<b>Sub-total - Customs</b>		<b>Customs</b>	<b>5,549,810</b>	<b>3,294,455</b>	<b>2,255,355</b>				<b>5,549,810</b>	<b>3,294,455</b>
<b>Total</b>			<b>2,561,417,900</b>	<b>2,553,148,143</b>	<b>8,269,757</b>		<b>74,938</b>	<b>6,089,340</b>	<b>2,561,492,838</b>	<b>2,559,237,483</b>
										<b>2,255,355</b>

Reporting Entity Name:

**CNPCI Watan Oil and Gas Afghanistan Ltd.****Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax				-			-	-	-
2	Business Receipt Tax				-			-	-	-
3	Withholding on salary		47,287,636		59,532,440		(12,244,804)		60,906,439	
4	Withholding tax on Rent		1,789,219		2,973,733		(1,184,514)		2,829,211	
5	Withholding tax on contract		20,680,858		22,785,498		(2,104,640)		21,556,021	
6	Withholding Tax-Other items				-			-	-	-
7	Penalties				-			-	-	-
8	Other(transferable share, shares,others)				-			-	-	-
9	Other Receipts				-			-	-	-
<b>Sub-total - MOF Tax</b>		Tax	69,757,713		85,291,671		(15,533,958)		85,291,671	
12	Royalties		-		-			-	-	-
13	Premium and Bonuses				-			-	-	-
14	Bid Fees				-			-	-	-
15	Penalties and Fines				-			-	-	-
16	Land Fees		-		-			-	-	-
17	Licence Fees				-			-	-	-
18	permitting Fees				-			-	-	-
19	Bid and other securities				-			-	-	-
20	Lease of Government Land				-			-	-	-
21	Rent of Government Buildings				-			-	-	-
22	Misc. Revenues				-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	-		-		-	-	-	-
23	Imports Duties				-			-	-	-
24	BRT				-			-	-	-
25	Fixed Tax on imports				-			-	-	-
26	Other Receipts				-			-	-	-
<b>Sub-total - Customs</b>		Customs	-		-		-	-	-	-
<b>Total</b>			69,757,713		85,291,671		(15,533,958)		85,291,671	

Reporting Entity Name:

## Kushak Brothers Company

## Afghanistan, 1391

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		-	-	-			-	-	-
2	Business Receipt Tax		-	-	-			-	-	-
3	Withholding on salary		-	-	-			-	-	-
4	Withholding tax on Rent				-			-	-	-
5	Withholding tax on contract				-			-	-	-
6	Withholding Tax-Other items				-			-	-	-
7	Penalties		-	-	-			-	-	-
8	Other(transferable share, shares,others)				-			-	-	-
9	Other Receipts		-	-	-			-	-	-
<b>Sub-total - MOF Tax</b>		Tax	-	-	-	-	-	-	-	-
12	Royalties		20,000,000	15,000,000	5,000,000			5,000,000	20,000,000	20,000,000
13	Premium and Bonuses				-			-	-	-
14	Bid Fees				-			-	-	-
15	Penalties and Fines				-			-	-	-
16	Land Fees		1,000,000	1,000,000	-			-	1,000,000	1,000,000
17	Licence Fees				-			-	-	-
18	permitting Fees				-			-	-	-
19	Bid and other securities		-	-	-			-	-	-
20	Lease of Government Land			58,500	(58,500)			(58,500)	-	-
21	Rent of Government Buildings		78,000		78,000			78,000	78,000	78,000
22	Misc. Revenues			-	-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	21,078,000	16,058,500	5,019,500			5,019,500	21,078,000	21,078,000
23	Imports Duties		211,050		211,050			211,050	-	211,050
24	BRT		173,061		173,061			173,061	173,061	-
25	Fixed Tax on imports		259,592	173,061	86,531			(173,061)	259,592	259,592
26	Other Receipts		4,421	220,484	(216,063)			4,421	220,484	(216,063)
<b>Sub-total - Customs</b>		Customs	648,124	393,545	254,579			-	648,124	393,545
<b>Total</b>			<b>21,726,124</b>	<b>16,452,045</b>	<b>5,274,079</b>			<b>5,019,500</b>	<b>21,726,124</b>	<b>21,471,545</b>
										<b>254,579</b>

Reporting Entity Name:

**Hashimy Group****Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax				-				-	-
2	Business Receipt Tax				-				-	-
3	Withholding on salary				-				-	-
4	Withholding tax on Rent				-				-	-
5	Withholding tax on contract				-				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties				-				-	-
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts				-				-	-
<b>Sub-total - MOF Tax</b>		Tax	-	-	-	-	-	-	-	-
12	Royalties		25,330		25,330				25,330	-
13	Premium and Bonuses				-				-	-
14	Bid Fees		50,460		50,460				50,460	-
15	Penalties and Fines				-				-	-
16	Land Fees				-				-	-
17	Licence Fees				-				-	-
18	permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land				-				-	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total - MOMP</b>		MOMP	75,790	-	75,790				75,790	-
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total - Customs</b>		Customs	-	-	-				-	-
<b>Total</b>			75,790	-	75,790				75,790	-
										75,790

Reporting Entity Name:

## TP Afghanistan Ltd

## Afghanistan, 1391

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax				-				-	-
2	Business Receipt Tax				-				-	-
3	Withholding on salary				-				-	-
4	Withholding tax on Rent				-				-	-
5	Withholding tax on contract				-				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties				-				-	-
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts				-				-	-
<b>Sub-total - MOF Tax</b>		Tax	-	-	-	-	-	-	-	-
12	Royalties				-				-	-
13	Premium and Bonuses			-	-				-	-
14	Bid Fees		1,283,715		1,283,715				1,283,715	- 1,283,715
15	Penalties and Fines				-				-	-
16	Land Fees		-	-	-				-	-
17	Licence Fees				-				-	-
18	permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land				-				-	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total - MOMP</b>		MOMP	1,283,715	-	1,283,715	-	-	-	1,283,715	- 1,283,715
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-	-	-	-	-
<b>Total</b>			1,283,715	-	1,283,715	-	-	-	1,283,715	- 1,283,715

Reporting Entity Name:

**Dragon Oil (Sanduqli) Limited****Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax				-				-	-
2	Business Receipt Tax				-				-	-
3	Withholding on salary				-				-	-
4	Withholding tax on Rent				-				-	-
5	Withholding tax on contract				-				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties				-				-	-
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts				-				-	-
<b>Sub-total - MOF Tax</b>		Tax	-	-	-	-	-	-	-	-
12	Royalties				-				-	-
13	Premium and Bonuses			-	-				-	-
14	Bid Fees		1,278,221		1,278,221				1,278,221	- 1,278,221
15	Penalties and Fines				-				-	-
16	Land Fees		-		-				-	-
17	Licence Fees				-				-	-
18	permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land				-				-	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total - MOMP</b>		MOMP	1,278,221	-	1,278,221	-	-	-	1,278,221	- 1,278,221
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-	-	-	-	-
<b>Total</b>			1,278,221	-	1,278,221	-	-	-	1,278,221	- 1,278,221

Reporting Entity Name:

**Mesaq - e - Sharq Company****Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		-	35,207	(35,207)	35,207			35,207	-
2	Business Receipt Tax		-	372,877	(372,877)	372,877			372,877	-
3	Withholding on salary		-	1,716	(1,716)	1,716			1,716	-
4	Withholding tax on Rent		-		-				-	-
5	Withholding tax on contract				-				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties		-		-				-	-
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts		-		-				-	-
<b>Sub-total - MOF Tax</b>		Tax	-	409,800	(409,800)	409,800	-		409,800	-
12	Royalties		12,803,700	12,803,700	-				12,803,700	-
13	Premium and Bonuses				-				-	-
14	Bid Fees				-				-	-
15	Penalties and Fines				-				-	-
16	Land Fees				-				-	-
17	Licence Fees				-				-	-
18	permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land		240,816	240,816	-				240,816	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total - MOMP</b>		MOMP	13,044,516	13,044,516	-				13,044,516	-
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total - Customs</b>		Customs	-	-	-				-	-
<b>Total</b>			13,044,516	13,454,316	(409,800)	409,800	-		13,454,316	-

Reporting Entity Name:

## Afghanistan Coal LLC

## Afghanistan, 1391

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		-	-	(641,950)			-	-	-
2	Business Receipt Tax		489,360	1,131,310	(641,950)		(641,950)		489,360	489,360
3	Withholding on salary		945,647	337,140	608,507			641,950	945,647	979,090
4	Withholding tax on Rent			12,375	(12,375)				12,375	(12,375)
5	Withholding tax on contract		28,694	28,694	-				28,694	28,694
6	Withholding Tax-Other items				-				-	-
7	Penalties				-				-	-
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts				-				-	-
<b>Sub-total - MOF Tax</b>		Tax	1,463,701	1,509,519	(45,818)		-	-	1,463,701	1,509,519
12	Royalties		-	-	-				-	-
13	Premium and Bonuses				-				-	-
14	Bid Fees				-				-	-
15	Penalties and Fines				-				-	-
16	Land Fees				-				-	-
17	Licence Fees				-				-	-
18	permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land				-				-	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total - MOMP</b>		MOMP	-	-	-		-	-	-	-
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total - Customs</b>		Customs	-	-	-		-	-	-	-
<b>Total</b>			1,463,701	1,509,519	(45,818)		-	-	1,463,701	1,509,519

Reporting Entity Name:

## Afghanistan Cement LLC

## Afghanistan, 1391

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		-		-				-	-
2	Business Receipt Tax		2,126,293		3,383,946		(1,257,653)		2,126,293	
3	Withholding on salary		3,322,761		863,742		2,459,019		3,322,761	
4	Withholding tax on Rent						-		-	
5	Withholding tax on contract		660,154		825,918		(165,764)		660,154	
6	Withholding Tax-Other items						-		-	
7	Penalties						-		-	
8	Other(transferable share, shares,others)						-		-	
9	Other Receipts						-		-	
<b>Sub-total - MOF Tax</b>		Tax	6,109,208		5,073,606		1,035,602		6,109,208	
12	Royalties		4,334,128		2,011,911		2,322,217		4,334,128	
13	Premium and Bonuses						-		-	
14	Bid Fees						-		-	
15	Penalties and Fines						-		-	
16	Land Fees		-		-		-		-	
17	Licence Fees						-		-	
18	permitting Fees						-		-	
19	Bid and other securities						-		-	
20	Lease of Government Land				-		-		-	
21	Rent of Government Buildings				-		-		-	
22	Misc. Revenues				-		-		-	
<b>Sub-total - MOMP</b>		MOMP	4,334,128		2,011,911		2,322,217		4,334,128	
23	Imports Duties						-		-	
24	BRT						-		-	
25	Fixed Tax on imports						-		-	
26	Other Receipts						-		-	
<b>Sub-total - Customs</b>		Customs	-		-		-		-	
<b>Total</b>			10,443,336		7,085,517		3,357,819		10,443,336	

Reporting Entity Name:

Dragon Oil (Mazar - i - Sharif) Limited

**Afghanistan, 1391**

No.	Cash Flow Stream		1391 Template originally lodged			Adjustments		1391 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	Difference
1	Income Tax				-				-	-
2	Business Receipt Tax				-				-	-
3	Withholding on salary				-				-	-
4	Withholding tax on Rent				-				-	-
5	Withholding tax on contract				-				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties				-				-	-
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts				-				-	-
<b>Sub-total</b>		Tax	-	-	-	-	-	-	-	-
12	Royalties				-				-	-
13	Premium and Bonuses				-				-	-
14	Bid Fees				-				-	-
15	Penalties and Fines				-				-	-
16	Land Fees				-				-	-
17	Licence Fees				-				-	-
18	permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land				-				-	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total</b>		MOMP	-	-	-	-	-	-	-	-
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total</b>		Customs	-	-	-	-	-	-	-	-
<b>Total</b>			-	-	-	-	-	-	-	-

# **FOURTH AEITI REPORT**

## **APPENDIX 10.4b**

**Reconciliation analysed by company**

**21<sup>st</sup> December 2012 to 20<sup>th</sup> December 2013 (1392)**

Reporting Entity Name:

## Northern Coal Enterprise

## Afghanistan, 1392 (January - December 2013)

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government	Companies	Difference	Government	Companies	Government	Companies	Difference
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		50,000,000	325,702,894	(275,702,894)		(275,702,894)	50,000,000	50,000,000	-
2	Business Receipt Tax		150,000,000	37,889,925	112,110,075		112,110,075	150,000,000	150,000,000	-
3	Withholding on salary		280,000,000	6,000,000	274,000,000	6,000,000	280,000,000	286,000,000	286,000,000	-
4	Withholding tax on Rent				-			-	-	-
5	Withholding tax on contract		-	1,500,000	(1,500,000)	1,500,000		1,500,000	1,500,000	-
6	Withholding Tax-Other items				-			-	-	-
7	Penalties				-			-	-	-
8	Other(transferable share, shares,others)			836,407,181	(836,407,181)	720,000,000	(116,407,181)	720,000,000	720,000,000	-
9	Other Receipts				-			-	-	-
<b>Sub-total - MOF Tax</b>		Tax	480,000,000	1,207,500,000	(727,500,000)	727,500,000	-	1,207,500,000	1,207,500,000	-
12	Royalties				-			-	-	-
13	Premium and Bonuses				-			-	-	-
14	Bid Fees				-			-	-	-
15	Penalties and Fines				-			-	-	-
16	Land Fees				-			-	-	-
17	Licence Fees				-			-	-	-
18	Permitting Fees				-			-	-	-
19	Bid and other securities				-			-	-	-
20	Lease of Government Land				-			-	-	-
21	Rent of Government Buildings				-			-	-	-
22	Misc. Revenues				-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	-	-	-	-	-	-	-	-
23	Imports Duties				-			-	-	-
24	BRT				-			-	-	-
25	Fixed Tax on imports				-			-	-	-
26	Other Receipts				-			-	-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-	-	-	-	-
<b>Total</b>			480,000,000	1,207,500,000	(727,500,000)	727,500,000	-	1,207,500,000	1,207,500,000	-

Reporting Entity Name:

**Afghan Gas Enterprise****Afghanistan, 1392 (January - December 2013)**

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		8,240,648		-	8,240,648		8,240,648	8,240,648	-
2	Business Receipt Tax		7,360,282	5,516,000	1,844,282		3,392,556	7,360,282	8,908,556	(1,548,274)
3	Withholding on salary		2,445,944	1,055,738	1,390,206		1,341,523	2,445,944	2,397,261	48,683
4	Withholding tax on Rent		136,979			136,979		136,979	-	136,979
5	Withholding tax on contract		460,373	1,686,631	(1,226,258)			460,373	1,686,631	(1,226,258)
6	Withholding Tax-Other items		-	18,100,800	(18,100,800)		(11,633,204)		6,467,596	(6,467,596)
7	Penalties		-		-			-	-	-
8	Other(transferable share, shares,others)		-	50,352,331	(50,352,331)	50,352,331		50,352,331	50,352,331	-
9	Other Receipts				-					-
<b>Sub-total - MOF Tax</b>		Tax	18,644,226	76,711,500	(58,067,274)	50,352,331	1,341,523	68,996,557	78,053,023	(9,056,466)
12	Royalties				-			-	-	-
13	Premium and Bonuses				-			-	-	-
14	Bid Fees				-			-	-	-
15	Penalties and Fines				-			-	-	-
16	Land Fees				-			-	-	-
17	Licence Fees				-			-	-	-
18	Permitting Fees				-			-	-	-
19	Bid and other securities				-			-	-	-
20	Lease of Government Land				-			-	-	-
21	Rent of Government Buildings				-			-	-	-
22	Misc. Revenues				-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	-	-	-	-	-	-	-	-
23	Imports Duties				-			-	-	-
24	BRT				-			-	-	-
25	Fixed Tax on imports				-			-	-	-
26	Other Receipts				-			-	-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-	-	-	-	-
<b>Total</b>			18,644,226	76,711,500	(58,067,274)	50,352,331	1,341,523	68,996,557	78,053,023	(9,056,466)

Reporting Entity Name:

**MMC - JCL Aynak Minerals Company Ltd.****Afghanistan, 1392 (January - December 2013)**

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation			
			Government		Companies	Government		Companies	Government		
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS	
1	Income Tax		25,776		25,776			16,905	25,776	16,905	8,871
2	Business Receipt Tax				-				-	-	-
3	Withholding on salary		27,459,172	26,120,443	1,338,729			1,338,729	27,459,172	27,459,172	-
4	Withholding tax on Rent		32,797	49,702	(16,905)			(16,905)	32,797	32,797	-
5	Withholding tax on contract		4,568,511	4,568,511	-				4,568,511	4,568,511	-
6	Withholding Tax-Other items				-				-	-	-
7	Penalties				-				-	-	-
8	Other(transferable share, shares,others)				-				-	-	-
9	Other Receipts				-				-	-	-
<b>Sub-total - MOF Tax</b>		Tax	32,086,256	30,738,656	1,347,600		-	1,338,729	32,086,256	32,077,385	8,871
12	Royalties				-				-	-	-
13	Premium and Bonuses			-	-				-	-	-
14	Bid Fees				-				-	-	-
15	Penalties and Fines				-				-	-	-
16	Land Fees				-				-	-	-
17	Licence Fees				-				-	-	-
18	Permitting Fees				-				-	-	-
19	Bid and other securities				-				-	-	-
20	Lease of Government Land				-				-	-	-
21	Rent of Government Buildings				-				-	-	-
22	Misc. Revenues				-				-	-	-
<b>Sub-total - MOMP</b>		MOMP	-	-	-		-	-	-	-	-
23	Imports Duties			-	-				-	-	-
24	BRT			-	-				-	-	-
25	Fixed Tax on imports		-	93,615	(93,615)				-	93,615	(93,615)
26	Other Receipts			1,314	(1,314)				-	1,314	(1,314)
<b>Sub-total - Customs</b>		Customs	-	94,929	(94,929)		-	-	-	94,929	(94,929)
<b>Total</b>			32,086,256	30,833,585	1,252,671		-	1,338,729	32,086,256	32,172,314	(86,058)

**Reporting Entity Name:**

CNPCI Watan Oil and Gas Afghanistan Ltd.

## Afghanistan, 1392 (January - December 2013)

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation			
			Government	Companies	Difference	Government	Companies	Government	Companies	Difference	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS	
1	Income Tax				-			-	-	-	
2	Business Receipt Tax				-			-	-	-	
3	Withholding on salary		72,320,914	68,269,075	4,051,839		3,150,545	7,936,221	75,471,459	76,205,296	(733,837)
4	Withholding tax on Rent		2,654,919	2,654,919	-			2,654,919	2,654,919	-	
5	Withholding tax on contract		100,690,286	86,386,972	14,303,314			14,303,314	100,690,286	100,690,286	-
6	Withholding Tax-Other items				-			-	-	-	
7	Penalties			38,561	(38,561)			(38,561)	-	-	
8	Other(transferrable share, shares,others)				-			-	-	-	
9	Other Receipts				-			-	-	-	
<b>Sub-total - MOF Tax</b>		Tax	175,666,119	157,349,527	18,316,592		3,150,545	22,200,974	178,816,664	179,550,501	(733,837)
12	Royalties		102,848,363	102,848,363	-			102,848,363	102,848,363	-	
13	Premium and Bonuses				-			-	-	-	
14	Bid Fees				-			-	-	-	
15	Penalties and Fines				-			-	-	-	
16	Land Fees		85,470,920	85,470,920	-			85,470,920	85,470,920	-	
17	Licence Fees				-			-	-	-	
18	Permitting Fees				-			-	-	-	
19	Bid and other securities				-			-	-	-	
20	Lease of Government Land			-	-			-	-	-	
21	Rent of Government Buildings			-	-			-	-	-	
22	Misc. Revenues			-	-			-	-	-	
<b>Sub-total - MOMP</b>		MOMP	188,319,283	188,319,283	-		-	-	188,319,283	188,319,283	-
23	Imports Duties				-			-	-	-	
24	BRT				-			-	-	-	
25	Fixed Tax on imports				-			-	-	-	
26	Other Receipts				-			-	-	-	
<b>Sub-total - Customs</b>		Customs	-	-	-		-	-	-	-	
<b>Total</b>			363,985,402	345,668,810	18,316,592		3,150,545	22,200,974	367,135,947	367,869,784	(733,837)

Reporting Entity Name:

**Kushak Brothers Company****Afghanistan, 1392 (January - December 2013)**

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		1,029,243	1,029,243	-				1,029,243	1,029,243
2	Business Receipt Tax		1,233,180	3,310,353	(2,077,173)	2,077,173		20,517	3,310,353	3,310,353
3	Withholding on salary		143,524	123,007	20,517				143,524	143,524
4	Withholding tax on Rent				-				-	-
5	Withholding tax on contract				-				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties		1,021,244	517,371	503,873			503,873	1,021,244	1,021,244
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts		-		-				-	-
<b>Sub-total - MOF Tax</b>		Tax	3,427,191	4,979,974	(1,552,783)	2,077,173		524,390	5,504,364	5,504,364
12	Royalties		22,590,800	22,590,800	-				22,590,800	22,590,800
13	Premium and Bonuses				-				-	-
14	Bid Fees				-				-	-
15	Penalties and Fines				-				-	-
16	Land Fees		13,034,400	356,504	12,677,896	356,504		13,034,400	13,390,904	13,390,904
17	Licence Fees				-				-	-
18	Permitting Fees				-				-	-
19	Bid and other securities		5,199,000		5,199,000				5,199,000	-
20	Lease of Government Land			78,000	(78,000)		(78,000)		-	-
21	Rent of Government Buildings		78,000		78,000		78,000		78,000	78,000
22	Misc. Revenues			13,034,400	(13,034,400)		(13,034,400)		-	-
<b>Sub-total - MOMP</b>		MOMP	40,902,200	36,059,704	4,842,496	356,504		-	41,258,704	36,059,704
23	Imports Duties		-		-				-	-
24	BRT		-		-				-	-
25	Fixed Tax on imports		-		-				-	-
26	Other Receipts		-		-				-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-			-	-
<b>Total</b>			44,329,391	41,039,678	3,289,713	2,433,677		524,390	46,763,068	41,564,068

Reporting Entity Name:

**Hashimy Group****Afghanistan, 1392 (January - December 2013)**

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation			
			Government		Companies	Government		Companies	Government		
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS	
1	Income Tax				-			-	-	-	
2	Business Receipt Tax				-			-	-	-	
3	Withholding on salary			348,074	(348,074)			(348,074)	-	-	
4	Withholding tax on Rent				-			-	-	-	
5	Withholding tax on contract				-			-	-	-	
6	Withholding Tax-Other items				-			-	-	-	
7	Penalties			34,806	(34,806)			(34,806)	-	-	
8	Other(transferable share, shares,others)				-			-	-	-	
9	Other Receipts				-			-	-	-	
<b>Sub-total - MOF Tax</b>		Tax	-	382,880	(382,880)	-	(382,880)	-	-	-	
12	Royalties		26,707,590	35,707,590	(9,000,000)	9,000,000			35,707,590	35,707,590	
13	Premium and Bonuses				-			-	-	-	
14	Bid Fees		113,610		113,610				113,610	113,610	
15	Penalties and Fines				-			-	-	-	
16	Land Fees			1,985,000	(1,985,000)	1,985,000			1,985,000	1,985,000	
17	Licence Fees			2,500	(2,500)				2,500	(2,500)	
18	Permitting Fees				-			-	-	-	
19	Bid and other securities		10,562,000		10,562,000				10,562,000	10,562,000	
20	Lease of Government Land				-			-	-	-	
21	Rent of Government Buildings				-			-	-	-	
22	Misc. Revenues				-			-	-	-	
<b>Sub-total - MOMP</b>		MOMP	37,383,200	37,695,090	(311,890)	10,985,000			48,368,200	37,695,090	10,673,110
23	Imports Duties				-			-	-	-	
24	BRT				-			-	-	-	
25	Fixed Tax on imports				-			-	-	-	
26	Other Receipts				-			-	-	-	
<b>Sub-total - Customs</b>		Customs	-	-	-	-					
<b>Total</b>			37,383,200	38,077,970	(694,770)	10,985,000	(382,880)		48,368,200	37,695,090	10,673,110

Reporting Entity Name:

## TP Afghanistan Ltd

## Afghanistan, 1392 (January - December 2013)

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax				-				-	-
2	Business Receipt Tax				-				-	-
3	Withholding on salary				-				-	-
4	Withholding tax on Rent				-				-	-
5	Withholding tax on contract				-				-	-
6	Withholding Tax-Other items				-				-	-
7	Penalties				-				-	-
8	Other(transferable share, shares,others)				-				-	-
9	Other Receipts				-				-	-
<b>Sub-total - MOF Tax</b>		Tax	-	-	-	-	-	-	-	-
12	Royalties				-				-	-
13	Premium and Bonuses		45,725,142	45,725,142	-				45,725,142	45,725,142
14	Bid Fees		-		-				-	-
15	Penalties and Fines				-				-	-
16	Land Fees		15,809,882	15,809,882	-				15,809,882	15,809,882
17	Licence Fees				-				-	-
18	Permitting Fees				-				-	-
19	Bid and other securities				-				-	-
20	Lease of Government Land				-				-	-
21	Rent of Government Buildings				-				-	-
22	Misc. Revenues				-				-	-
<b>Sub-total - MOMP</b>		MOMP	61,535,024	61,535,024	-	-	-	-	61,535,024	61,535,024
23	Imports Duties				-				-	-
24	BRT				-				-	-
25	Fixed Tax on imports				-				-	-
26	Other Receipts				-				-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-	-	-	-	-
<b>Total</b>			61,535,024	61,535,024	-	-	-	-	61,535,024	61,535,024

Reporting Entity Name:

**Dragon Oil (Sanduqli) Limited****Afghanistan, 1392 (January - December 2013)**

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax				-			-	-	-
2	Business Receipt Tax				-			-	-	-
3	Withholding on salary				-			-	-	-
4	Withholding tax on Rent				-			-	-	-
5	Withholding tax on contract				-			-	-	-
6	Withholding Tax-Other items				-			-	-	-
7	Penalties				-			-	-	-
8	Other(transferable share, shares,others)				-			-	-	-
9	Other Receipts				-			-	-	-
<b>Sub-total - MOF Tax</b>		Tax	-	-	-	-	-	-	-	-
12	Royalties				-			-	-	-
13	Premium and Bonuses		46,061,122	46,061,122	-			46,061,122	46,061,122	-
14	Bid Fees		-		-			-	-	-
15	Penalties and Fines				-			-	-	-
16	Land Fees		17,694,065		17,694,065			17,694,065		17,694,065
17	Licence Fees				-			-	-	-
18	Permitting Fees				-			-	-	-
19	Bid and other securities				-			-	-	-
20	Lease of Government Land				-			-	-	-
21	Rent of Government Buildings				-			-	-	-
22	Misc. Revenues				-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	63,755,187	46,061,122	17,694,065	-	-	63,755,187	46,061,122	17,694,065
23	Imports Duties				-			-	-	-
24	BRT				-			-	-	-
25	Fixed Tax on imports				-			-	-	-
26	Other Receipts				-			-	-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-	-	-	-	-
<b>Total</b>			63,755,187	46,061,122	17,694,065	-	-	63,755,187	46,061,122	17,694,065

Reporting Entity Name:

**Mesaq - e - Sharq Company****Afghanistan, 1392 (January - December 2013)**

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government		Companies	Difference	Government		Companies	Government
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		23,000	23,000	-			23,000	23,000	-
2	Business Receipt Tax		407,776	476,969	(69,193)		69,193		476,969	476,969
3	Withholding on salary		1,584	1,584	-			1,584	1,584	-
4	Withholding tax on Rent		18,830		18,830			18,830	18,830	-
5	Withholding tax on contract				-			-	-	-
6	Withholding Tax-Other items				-			-	-	-
7	Penalties		3,527		3,527			3,527	3,527	-
8	Other(transferable share, shares,others)				-			-	-	-
9	Other Receipts		46,980		46,980			46,980	46,980	-
<b>Sub-total - MOF Tax</b>		Tax	501,697	501,553	144		69,193	69,337	570,890	570,890
12	Royalties		40,223,640	40,223,640	-			40,223,640	40,223,640	-
13	Premium and Bonuses				-			-	-	-
14	Bid Fees				-			-	-	-
15	Penalties and Fines				-			-	-	-
16	Land Fees				-			-	-	-
17	Licence Fees				-			-	-	-
18	Permitting Fees				-			-	-	-
19	Bid and other securities				-			-	-	-
20	Lease of Government Land		262,560	262,560	-			262,560	262,560	-
21	Rent of Government Buildings				-			-	-	-
22	Misc. Revenues				-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	40,486,200	40,486,200	-			40,486,200	40,486,200	-
23	Imports Duties				-			-	-	-
24	BRT				-			-	-	-
25	Fixed Tax on imports				-			-	-	-
26	Other Receipts				-			-	-	-
<b>Sub-total - Customs</b>		Customs	-	-	-			-	-	-
<b>Total</b>			40,987,897	40,987,753	144		69,193	69,337	41,057,090	41,057,090

Reporting Entity Name:

## Afghanistan Coal LLC

## Afghanistan, 1392 (January - December 2013)

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax				-			-	-	-
2	Business Receipt Tax		2,708,665	2,708,665	-			2,708,665	2,708,665	-
3	Withholding on salary		1,048,729	1,198,585	(149,856)			1,048,729	1,028,841	19,888
4	Withholding tax on Rent			13,241	(13,241)				13,241	(13,241)
5	Withholding tax on contract		347,893	3,626	344,267			347,893	173,370	174,523
6	Withholding Tax-Other items				-			-	-	-
7	Penalties				-			-	-	-
8	Other(transferable share, shares,others)				-			-	-	-
9	Other Receipts				-			-	-	-
<b>Sub-total - MOF Tax</b>		Tax	4,105,287	3,924,117	181,170			4,105,287	3,924,117	181,170
12	Royalties		51,318,210	53,954,271	(2,636,061)	1,232,185		52,550,395	53,954,271	(1,403,876)
13	Premium and Bonuses				-			-	-	-
14	Bid Fees				-			-	-	-
15	Penalties and Fines				-			-	-	-
16	Land Fees				-			-	-	-
17	Licence Fees				-			-	-	-
18	Permitting Fees				-			-	-	-
19	Bid and other securities				-			-	-	-
20	Lease of Government Land				-			-	-	-
21	Rent of Government Buildings				-			-	-	-
22	Misc. Revenues				-			-	-	-
<b>Sub-total - MOMP</b>		MOMP	51,318,210	53,954,271	(2,636,061)	1,232,185		52,550,395	53,954,271	(1,403,876)
23	Imports Duties				-			-	-	-
24	BRT				-			-	-	-
25	Fixed Tax on imports				-			-	-	-
26	Other Receipts				-			-	-	-
<b>Sub-total - Customs</b>		Customs	-	-	-	-		-	-	-
<b>Total</b>			55,423,497	57,878,388	(2,454,891)	1,232,185		56,655,682	57,878,388	(1,222,706)

Reporting Entity Name:

## Afghanistan Cement LLC

## Afghanistan, 1392 (January - December 2013)

No.	Cash Flow Stream		1392 Template originally lodged			Adjustments		1392 Final reconciliation		
			Government		Companies	Government		Companies	Government	
			AFS	AFS	AFS	AFS	AFS	AFS	AFS	AFS
1	Income Tax		6,349,720		7,035,003	(685,283)			6,349,720	
2	Business Receipt Tax		10,684,948		11,131,391	(446,443)		(446,443)	10,684,948	
3	Withholding on salary		1,922,576		1,491,556	431,020		292,064	1,922,576	
4	Withholding tax on Rent					-			-	
5	Withholding tax on contract		2,706,330		2,359,671	346,659		154,379	2,706,330	
6	Withholding Tax-Other items					-			-	
7	Penalties					-			-	
8	Other(transferable share, shares,others)					-			-	
9	Other Receipts					-			-	
<b>Sub-total - MOF Tax</b>		Tax	21,663,574		22,017,621	(354,047)		-	21,663,574	
12	Royalties		7,974,732		7,720,148	254,584	1,313,484	1,568,068	9,288,216	
13	Premium and Bonuses					-			-	
14	Bid Fees					-			-	
15	Penalties and Fines					-			-	
16	Land Fees		3,205,369		4,939,866	(1,734,497)	166,429	(1,568,068)	3,371,798	
17	Licence Fees					-			-	
18	Permitting Fees					-			-	
19	Bid and other securities					-			-	
20	Lease of Government Land					-			-	
21	Rent of Government Buildings					-			-	
22	Misc. Revenues					-			-	
<b>Sub-total - MOMP</b>		MOMP	11,180,101		12,660,014	(1,479,913)	1,479,913	-	12,660,014	
23	Imports Duties					-			-	
24	BRT					-			-	
25	Fixed Tax on imports					-			-	
26	Other Receipts					-			-	
<b>Sub-total - Customs</b>		Customs	-		-	-	-	-	-	
<b>Total</b>			32,843,675		34,677,635	(1,833,960)	1,479,913	-	34,323,588	

# FOURTH AEITI REPORT

## APPENDIX 10.5

**Municipalities in Afghanistan**

# Municipalities in Afghanistan



H.E. Vice President Mohammad Karim Khalili and H.E. Abdul Khaliq Farahi, Director General of the Independent Directorate of Local Governance (IDLG), at a National Mayors' Conference

**By: Abdul Baqi Popal**

**30 June 2014**

## Municipalities in Afghanistan

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<sup>1</sup> Central Statistics Office 2013–13.

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<sup>2</sup> Central Statistics Office 2012–13.

<sup>3</sup> TBFO 2013.

## Acronyms

AFN	Afghani (Afghan currency)
AKF	Agha Khan Foundation
ANDS	Afghanistan National Development Strategy
ASGP	Afghanistan Sub-national Governance Program by UNDP
CB-MSP	Community Based Municipal Support Program
CDC	Community Development Council
CSO	Central Statistics Office of the Islamic Republic of Afghanistan
GDMA	General Directorate of Municipal Affairs of the Islamic Republic of Afghanistan
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDLG	Independent Directorate of Local Governance of the Islamic Republic of Afghanistan
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LARA	Land Reform in Afghanistan
MDG	Millennium Development Goal
MUDA	Ministry of Urban Development Affairs
MoFA	Ministry of Financial Affairs
NPP	National Priority Programme
PPP	Public Private Partnerships
SPNA	Stabilisation Programme Northern Afghanistan
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
RAMP UP	Regional Afghanistan Municipalities Program for Urban Populations
SIDA	Swedish International Development Agency

## Acknowledgements

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*Fig. 1. Herat city, provincial capital of Herat province.*

Kabul, Afghanistan, his colleague Mr Abdul Bari Balakarzai, Head of Coordination for MUDA and IDLG/GDMA, United Nations Human Settlements Program Kabul, Mr Nasir Ahmad Salehzada, Acting Team Leader for the Municipal Component UNDP/ASGP, and Dr Amanullah Faqiree, Municipal Governance Specialist for the same component.

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The views in this report express the professional opinion of the author and do not necessarily reflect government policy.

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## 1 Introduction

Afghan cities are growing at a rapid pace, estimated to be around 4% per year<sup>4</sup>. This high growth rate is partially due to a high influx of returnees from Pakistan and Iran who prefer to settle in urban rather than rural areas in search for better living conditions, including public services, employment opportunities and security. In addition, insecurity in rural areas has expedited the normal trend of urbanization, so that people move in even larger numbers to urban centres in major cities than would be expected under less volatile circumstances<sup>5</sup>. As a result of this unprecedented growth, cities, and their mayors, are under tremendous pressure to provide basic services to their citizens. Without strong municipal administrations which can deliver efficient urban services, ensure municipal governance and urban management, cities will not be able to rise to the challenge.



*Fig. 2. Mazar-e-Sharif, provincial capital of Balkh province.*

<sup>4</sup> For details on estimates see below.

<sup>5</sup> In the NRVA (2011–12, p. 109) “Urban districts were generally rated as much more secure (for around 94 percent of the households) than rural districts (for only 74 percent of the households)”.

If Afghanistan cannot get a grip on the rapid urbanization taking place, there is a high risk for urban centres to become an environment that does not offer opportunities but turns into a threat due to a massive rise in environmental pollution, urban crime rates and socio-economic challenges. In order to address some of these issues, it is necessary to look at the current legal, socio-economical, financial and administrative status of Afghan municipalities, to take a critical approach to the data and a constructive approach to the matter which is able to bring positive changes.

The aim of the following report is to give insights into municipal affairs in Afghanistan which can guide future policies and programmes designed to improve governance, infrastructure and economic development in Afghan cities. The report concentrates on information that is not readily available from donor reports and includes recommendations for future interventions.



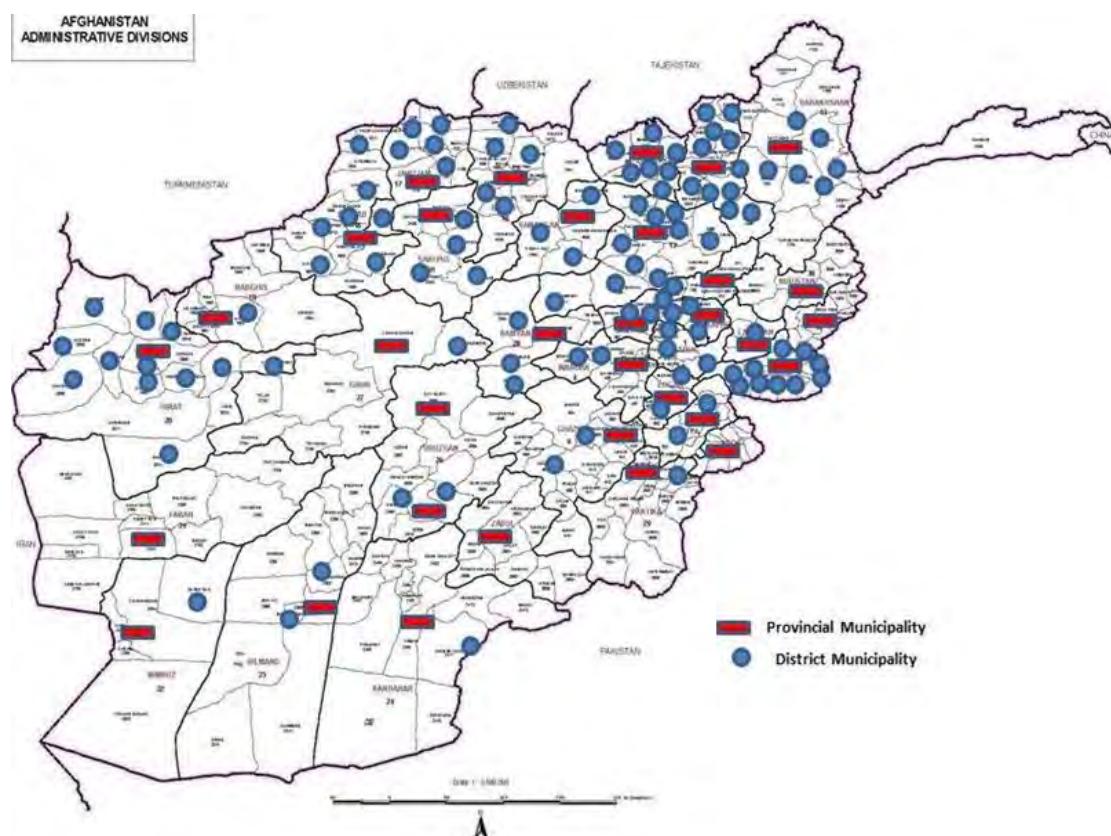
*Fig. 3. Faizabad, provincial capital of Badakhshan.*

## 2 Background

Afghanistan is a land-locked country covering almost 653,000 km<sup>2</sup> in the heart of Asia and has an estimated population of 32 million inhabitants<sup>6</sup> living in 34 provinces managed by provincial governors. These provinces are divided into 374 rural districts under the management of district governors. Of these districts, 364 are officially recognised, while ten rural districts are temporarily established while they are in the process of receiving official recognition.

The 34 provincial capitals are managed by mayors for whom the term ‘provincial mayors’ (of ‘provincial municipalities’) has been coined, and who are currently appointed by the Independent Directorate of Local Governance of the Islamic Republic of Afghanistan and approved by the President. Furthermore, there are 120 ‘district municipalities’, each of which forms the urban centre of a rural district and are managed by a ‘district mayor’. Kabul Municipality as the national capital has a special administrative status.

The sizes of municipalities across the country differ to a large extent, and the sizes of municipal administrations vary accordingly. The provincial capitals are divided into urban districts called ‘Nahia’. The 33 provincial capitals have a total of 159 Nahias, while most of the district municipalities have no subdivisions.



*Fig. 4. Provincial capitals and district municipalities in Afghanistan.*

<sup>6</sup> UNdata, Afghanistan.

Population figures for Afghan cities are largely estimates and rely heavily on a national census carried out in 1979, which remained incomplete due to security issues in some regions. It “is estimated that the census was almost complete in urban areas but only 40 percent complete for the settled rural population and 15 percent for the nomads”<sup>7</sup>. The Afghan population was estimated at 15.5 million at the time, later corrected to a likely 14 million<sup>8</sup>. A new national census carried out by the Central Statistics Office of the Islamic Republic of Afghanistan (CSO) by province is underway but will take years to complete.

The lack of reliable data on which to ground development assistance has led organizations to carry out their own surveys for specific purposes. The National Surveillance System Project implemented by the Vulnerability Analysis Unit of the Ministry of Rural Rehabilitation and Development and the CSO has been the most concerted effort so far and “was designed to assist the Government of Afghanistan in addressing its acute and multiple data needs to inform and prioritise the reconstruction and development efforts, and to contribute to data collection in the areas of poverty alleviation, food security, livelihood and vulnerability”<sup>9</sup>; it carried out household surveys in 2003, 2005, 2007–8 and 2011–12, the most recent one based on a sample of 21 thousand households<sup>10</sup>.

Estimating urban populations is highly problematic due to an urban growth rate which is based not only on birth rates but on an influx of 5.8 million returnees since 2002<sup>11</sup> and rural depopulation within the country. According to the NRVA of 2011–12, “49 percent of households that reported to have returned from displacement are located in urban areas. Compared to the national distribution of households – 24 percent urban and 76 percent rural – this figure is twice as high. This supports the idea that towns and cities, and mainly Kabul, disproportionately absorb households that have a displacement history. Especially returnee households from Iran are concentrated for 65 percent in urban areas”<sup>12</sup>.

According to the World Bank, 18% of the Afghan population was urban in 1990, compared to 24% in 2012.<sup>13</sup> This urban growth is manifested in informal settlements where inhabitants seek job opportunities and basic shelter<sup>14</sup> and in urban

<sup>7</sup> Balland, Census.

<sup>8</sup> As above.

<sup>9</sup> NRVA 2007/8, p. 1.

<sup>10</sup> NRVA 2011–12, p. 165f.

<sup>11</sup> UNHCR 2013, p. 1.

<sup>12</sup> NRVA 2011–12, p. 27.

<sup>13</sup> World Bank 2014.

<sup>14</sup> Although the poverty rate in cities is lower than among the rural population (NRVA 2011–12, p. xix), “87 percent of urban dwellers (5.3 million people) live in slum-like conditions of poverty and physical and environmental deprivation” (NRVA 2011–12, p. xxi).

sprawls that make it difficult to delineate urban boundaries and thus define inhabitants as ‘urban’.

The city of Kandahar officially had 397.500 citizens at the time, Mazar-e-Sharif 368.100, the city of Herat 436.300, and Jalalabad 206.500<sup>15</sup>. The mayors of the provincial capitals of these provinces (Kandahar, Mazar-e-Sharif, Herat and Jalalabad) claim that the urban population in their cities alone is about twice as high, counting population in urban areas that extend the original city boundaries on which the CSO estimates (Table 1) are based. While the provincial capitals of Afghanistan have an urban population of about 2.3 million according to the CSO, there are now almost 5 million according to the mayors. Wishful thinking may also be involved in some of these figures, but the need for a new census seems clear, not just as a basis for municipal elections, but also as a guide for infrastructure improvements and economic development plans.



Fig. 5. Jalalabad, provincial capital of Nangarhar province.

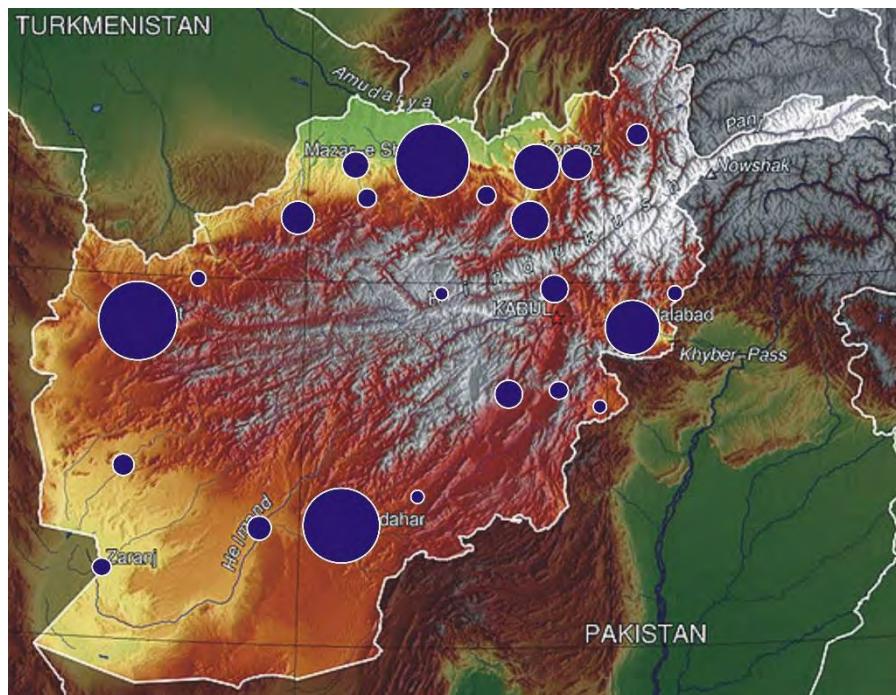
<sup>15</sup> As above.

*Table 1: Capital cities of Afghanistan. CSO, urban population: urban population in the respective province 2012–13 according to the Central Statistics Office<sup>16</sup>; Municipalities, citizens: citizens in the capital cities in 2013 according to municipal records<sup>17</sup>.*

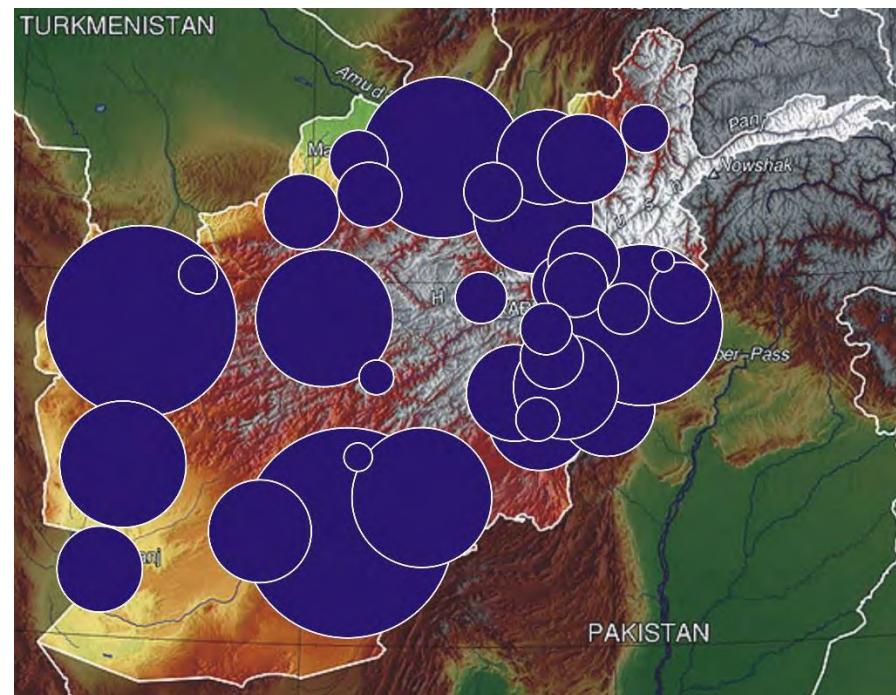
	CSO, urban population	Municipalities, citizens
Herat	436,300	1,000,000
Mazar	368,100	700,000
Jalalabad	206,500	700,000
Kandahar	397,500	1,200,000
Farah	35,000	109,000
Lashkargah	41,600	300,000
Khost	11,000	260,214
Ghazni	56,400	280,000
Aybak	27,800	90,000
Kunduz	143,800	250,000
Pul-e-Khumri	101,100	400,000
Chagcharan	6,700	132,000
Metharlam	4,800	70,000
Maidan-e-Shar	2,800	60,658
Bamiyan	12,000	70,000
Taloqan	68,600	220,000
Gardez	23,100	285,000
Sheberghan	76,500	94,333
Zaranj	24,900	200,000
Maimana	78,500	152,600
Charikar	53,900	106,000
Pul-e-Alam	5,100	110,000
Asadabad	13,100	107,000
Sar-e-Pul	28,800	115,000
Nili	–	35,000
Mahmood Raqi	1,400	10,000
Faizabad	31,600	63,000
Qala-e-Naw	13,800	42,000
Sharana	2,600	50,000
Tirinkot	6,300	20,000
Qalat	11,400	530,000
Bazarak	–	130,000
Paroon	–	12,000

<sup>16</sup> Central Statistics Office 2012–13.

<sup>17</sup> TBFO 2013 with the exception of Farah, Chagcharan, Bamiyan, Maimana, Sar-e-Pol, Nili, Tirinkot, Bazarak, Paroon.



*Fig. 6a. Afghanistan. Blue circles: Provincial capitals with more than 10,000 citizens as estimated by the CSO for 2012–13<sup>18</sup> given in Table 1. The sizes of the circles reflect the population estimates. Largest circle: Herat (436,300 citizens); smallest circle: Khost (11,000 citizens). Base map: Wikipedia ‘Afghanistan’, fig. ‘Topography’, [http://en.wikipedia.org/wiki/File:Afghan\\_topo\\_en.jpg](http://en.wikipedia.org/wiki/File:Afghan_topo_en.jpg), licensed under the Creative Commons Attribution–Share Alike 3.0 Unported license.*



*Fig. 6b. Afghanistan. Blue circles: population estimates for provincial capitals by the mayors, based on figures in Table 1. The sizes of the circles reflect the population estimates. Largest circle: Kandahar (1.2 million); smallest circles: Mahmood Raqi (10,000). Yellow circles: Provincial capitals for which no estimates are available. Base map: Wikipedia ‘Afghanistan’, fig. ‘Topography’, [http://en.wikipedia.org/wiki/File:Afghan\\_topo\\_en.jpg](http://en.wikipedia.org/wiki/File:Afghan_topo_en.jpg), licensed under the Creative Commons Attribution–Share Alike 3.0 Unported license.*

<sup>18</sup> Central Statistics Office 2013–13.

Urban growth in Afghanistan is believed to be even faster than that of other countries in the region<sup>19</sup> due to two main factors: a high influx of returnees from neighbouring countries such as Pakistan and Iran, and insecurity in rural areas during the past decade of armed conflict driving people to cities offering better security. While the average annual population growth rate in rural areas for the period 2010–15 is estimated at 2.7%, the urban growth rate is considered to be 4.4% by the World Bank.<sup>20</sup> Beyond this, people move from rural areas to urban centres for better job opportunities and public services, such as better healthcare<sup>21</sup> and education for their children<sup>22</sup>. Afghanistan has one of the youngest populations in the region<sup>23</sup>, leading to a massive influx of young people to urban areas, which puts enormous pressure on municipalities to provide services, job opportunities and recreational facilities. According to the National Risk and Vulnerability Assessment of 2011–12, “the age group 15–24 is relatively overrepresented in urban areas (23.6 against 17.8 percent in rural areas). These different age structures are to a considerable extent caused by the combined effects of lower urban fertility and selective in-migration of students and young adults looking for education opportunities and jobs on the urban labour market”<sup>24</sup>.

Rapid urbanization is usually seen as a challenge because of the pressure put on urban infrastructure and services, a rise in crime often connected to the phenomenon, as well as a rise in pollution. However, if this type of development is managed properly, it can provide great opportunities for socio-economic growth and service provision. Experience has shown that urbanization is an engine of economic growth, with urban centres as places where public services can be provided and citizens are encouraged to pay for them.

The most developed nations of the world are highly urbanized, and their cities the main hubs of socio-economic and political growth. Afghanistan is not an exception to the dynamics underlying this development, accelerated by a high influx of returnees and insecurity in rural areas. Major progress on road asphalting, the provision of drainage, culverts and pavements show that large Afghan cities are making an effort

<sup>19</sup> See Giovacchini (2011), p. 4. The online reference cited in this publication (United Nations Development Programme, “Goal 7—Ensure Environmental Sustainability,” <http://www.undp.org.af/MDGs/goal7.htm>, Accessed 17 April 2011) was accessed on 15 June 2014. According to this source “Afghanistan also has the highest rate of urbanisation in Asia, 6% per year”. This estimate is considerably higher than that of the World Bank (see below).

<sup>20</sup> UNdata, Afghanistan.

<sup>21</sup> NRVA 2011–12, p. xx.

<sup>22</sup> The NRVA (2011–12, p. 76) states that “Whereas almost all urban households live within acceptable walking distance from primary education facilities, in rural areas the corresponding percentages for households that have, respectively, boys and girls primary education within two kilometres are only 44 and 36.”

<sup>23</sup> NRVA 2007/8, p. 10.

<sup>24</sup> NRVA 2011–12, p. 10.

to provide infrastructure that is vital for economic development, and newly constructed public parks provide chances for recreation. However, there are still many challenges, including solid waste management. Not a single Afghan city has a proper sewerage system, and in 2011–12 only up to 29% of the urban population had access to improved sanitation facilities, while 71% of the urban population had access to safe drinking water<sup>25</sup>. In addition, there are many streets that are still in very poor condition, and while access to electricity has improved significantly<sup>26</sup>, public transportation remains an issue.



*Fig. 7. Qalat, provincial capital of Zabul. Drainage/canal cleaning.*

Informal settlements form a huge challenge for urban planning at all stages, not only because cities are growing in an uncontrolled fashion that usually does not provide the necessary infrastructure, but also because of the land issues that arise from such settlements. Refugees squatting on government or private land that is thus blocked for urban development is a matter than can be solved more easily than land grabbed for profit by powerful individuals. Both cases however block economic development for the benefit of urban communities and require decisive action by a government that does not form part of the problem but is actually able to solve it.

<sup>25</sup> NRVA 2011–12, pp. 99f.

<sup>26</sup> NRVA 2011–12, p. 102.

## 3 Governance

### 3.1 The legal basis for municipalities in Afghanistan

#### 3.1.1 The Constitution

In the Constitution of the Islamic Republic of Afghanistan of 2004, municipalities are covered in Article No. 141: “To administer city affairs, municipalities shall be established. The mayor and members of municipal councils shall be elected through free, general, secret and direct elections. Matters related to municipalities shall be regulated by law”<sup>27</sup>. A municipal law that has been developed to supersede the municipal law of 2000 awaits approval by parliament at the time of writing, and it has not been possible yet for technical and financial reasons to conduct municipal elections.

One of the key technical challenges that have delayed municipal elections until now has been the rapid expansion of the cities, which makes it difficult to demarcate city boundaries and thus electoral boundaries. So far the boundaries of 17 out of 33 provincial capitals have been demarcated and approved at the national level by the relevant authorities. It is planned to complete the demarcation of boundaries of the remaining cities in 2014, which can then be followed by a census as the basis for the distribution of voting cards to citizens. If the new municipal law comes into force in time, if there are no major delays with the demarcation of remaining boundaries, and if the census is carried out in a timely manner, it should be possible to hold elections in 2016.

#### 3.1.2 The Municipal Law

Municipal administrations and mayors receive their mandate to manage municipal affairs through the current Municipal Law<sup>28</sup> created in 2000 during the Islamic Emirate of Afghanistan, which superseded a series of municipal laws going back almost a century to the reign of King Amanullah Khan. A new municipal law drafted in line with the IDLG Sub-national Governance Policy<sup>29</sup> of 2010 is with the Law (Taqnin) Committee of Ministers Council at the time of writing.

<sup>27</sup> Afghanistan Constitution 2004.

<sup>28</sup> Afghanistan Municipal Law 2000, published but unofficial translation.

<sup>29</sup> IDLG SNG Policy 2010.

According to the current municipal law, municipalities are public legal and juristic entities given the task to provide for the general needs of urban populations. While some details of the future role of municipalities will be unclear until the new municipal law has come into force, current practice has been shaped by tradition, and by current administrative structures that overlap to some extent in urban contexts but also give municipalities a distinct role. Ministries have line departments in cities which are responsible to deliver those services which are not within the jurisdiction of the municipalities, i.e. the Ministry of Health, the Ministry of Education and the Ministry of Public Works. Water and electricity are usually also not provided by the municipalities. The current law lists the following functions of municipalities<sup>30</sup>:

- 1- *Adopt measures for ensuring means of livelihood for the residents living in the respective area.*
- 2- *Adopt measures for construction and maintenance of wells, kariz (subterranean irrigation canals, ponds, and potable water reservoirs by the relevant sources.*
- 3- *Adopt measures for the protection and creation of urban green spaces and ensuring cleanliness and sanitation in the relevant areas, as well as for the protection of bio-environment.*
- 4- *Adopt measures for construction of roads, playgrounds, public bathhouses, emporiums, markets and cultural and civic centers through the engagement of private investment in areas under planning to the extent possible.*
- 5- *Valuate residential houses according to rules and regulations.*
- 6- *Fix rental of municipal properties in accordance with the law provision.*
- 7- *Adopt measures for inspecting sanitary conditions in bathhouses, restaurants, guesthouses, samovars, swimming pools, public halls and other food shops in cooperation with the concerned departments.*
- 8- *Adopt measures to ensure cooperation with health institutions in the implementation of measures intended to prevent the outbreak of diseases and to protect the bio-environment.*
- 9- *Adopt measures for allotment of land-plots for the construction of residential houses and commercial sites in accordance with the relevant law provision.*
- 10- *Expropriate land in accordance with the provisions of the land expropriation law.*
- 11- *Adopt measures for taking part in the construction of residential centers, maintenance of roads, streets and residential areas.*
- 12- *Adopt measures for a sound expansion of the fleet of city transportation means by the relevant department.*

<sup>30</sup> As above.

- 13- Adopt measures for providing assistance in foodstuffs supply and distribution.
- 14- Control prices and measuring appliances, regulate and universalize the metric system in relevant area.
- 15- Adopt measures for providing assistance in promoting sports and physical training in accordance with the Islamic morality.
- 16- Attract voluntary cooperation of the residents in carrying out sanitational activities, creating green spaces and in delivering other useful urban services.
- 17- Adopt measures for providing assistance in preservation, maintenance and restoration of historical and cultural relics through attracting cooperation of the relevant departments.
- 18- Adopt measures for providing assistance in collecting data on demographic statistics.
- 19- Collect municipal charges in accordance with the provisions of law.
- 20- Adopt measures for providing effective cooperation in illiteracy eradication, improvement in the general educational and cultural levels, vocational training of the people, development of social services network, general educational and vocational schools and libraries in the relevant area through the concerned department and with due regard to the Islamic standards.
- 21- Pass bills in due consideration of the provisions of the present law.
- 22- Steer subordinate departments and sections.
- 23- Call and hold sessions in connection with utilities of the relevant town.
- 24- Organize implementation of budgetary as well as annual revenues and expenditures plans and adopt measures to economize expenditures.
- 25- Supervise execution of decisions adopted by the administrative council.
- 26- Express views regarding structures of the establishments of the traffic department in city area.
- 27- Determine the location of slaughterhouse, regulate and supervise butchery-related sanitational affairs.
- 28- Distribute price list in accordance with the provisions of the Shari‘ah.
- 29- Review terms and conditions of affidavits, contracts and leases regarding municipal properties.
- 30- Construct, repair and cleanse public streams and ditches in towns.
- 31- Regulate receiving visitors and settle grievances of the residents in a just and timely manner as well as supervise implementation of the decisions within their respective scope of powers.
- 32- Provide assistance in meeting primary and emergency social and economic needs of the local residents in cooperation with the respective bodies.
- 33- Allocate burying grounds for interment of the dead (graveyards).

- 34- *Adopt measures for organizing free of charge obsequies of the unidentified and heirless dead with the cooperation of the Red Crescent.*
- 35- *Take decision regarding demolition of building at the end of their useful life based on the recommendation of the technical committee.*
- 36- *Accept aid, gifts and grants on behalf of the municipality and registration thereof in the books.*
- 37- *Prevent arbitrary construction of buildings with the help of security authorities of the relevant area.*
- 38- *Grant trade licenses to various guilds in the city.*
- 39- *Grant work permits to the janitorial staff of foreign institutions.*
- 40- *Collect and record correct data on weddings, births, deaths and changes in dwelling places and submit the report thereon to the relevant authorities.*
- 41- *Earnestly implement the price list.*
- 42- *Provide assistance in consolidating lawfulness, ensuring security, social order and tranquillity of the society.*
- 43- *Provide assistance in defending legal interests of the local residents.*
- 44- *Render all-sided cooperation in building the society and consolidation of Islamic sovereignty.*

Other than line ministries, municipalities must finance their budgets from municipal revenue sources. The only exception is Kabul Municipality, whose development budget is partially financed from the National Budget.

According to the current law (Chapter 2, Article 7), “Municipalities shall be established in the centres of local administrative units (provinces and districts) with due regard to the following conditions:

- In the centre of administrative units having a population of more than 5000 people.
- In the centre of an administrative unit where implementation of urban master plan is feasible.”<sup>31</sup>

The IDLG policy<sup>32</sup> suggests that a municipality has a minimum land area of 50km<sup>2</sup> and a minimum population of 20,000, but the draft municipal law that may or may not be put into force stays with the original numbers. Further important criteria for the establishment of a new municipality are:

- That it is able to raise enough revenues to provide municipal services, and
- The residences have a need for these services.

<sup>31</sup> Afghanistan Municipal Law 2000.

<sup>32</sup> IDLG NSG Policy 2010, p. 187.

If a town fulfils these criteria, a municipality can be established on the basis of a request by the inhabitants, followed by a recommendation of the governor of the province, approval by IDLG/GDMA and an endorsement of the Ministers' Council.

### 3.2 The General Directorate of Municipal Affairs

Since Presidential Decree 73 of 30 August 2007, municipalities are accountable to the Independent Directorate of Local Governance (IDLG), which has two deputy ministers, one for administrative and financial affairs, H.E. Matin Beg, and one for policy and technical affairs, H.E. Farid Mamundzay, under H.E. Abdul Khaliq Farahi, and reports to the Presidential Office. Until municipal elections can take place, provincial and district mayors are mostly appointed by IDLG and report to the General Directorate of Municipal Affairs (GDMA) of the Independent Directorate of Local Governance (IDLG). Kabul Municipality reports directly to the Presidential Office.

The General Directorate of Municipal Affairs (GDMA) is one of the key directorates of the Independent Directorate of Local Governance (IDLG) and managed by a general director supported by 50 employees who supervise the municipal affairs of the country in different capacities.

The vision and mission of the independent directorate is published online on the IDLG website<sup>33</sup>:

***Vision:***

*GDMA envisions municipal institutions that are responsive to the needs of urban citizens and bring a positive change in their lives through good urban governance and the provision of municipal services and infrastructure*

***Mission:***

*GDMA was established under the IDLG framework to oversee, manage and regulate the affairs of all municipalities of Afghanistan, except Kabul. This is done in line with the policies and principles enshrined in the Constitution of Afghanistan, the Afghan National Development Strategy (ANDS), the IDLG Sub-national Governance Policy, and other policy documents of the Islamic Republic of Afghanistan.*

***Functions:***

<sup>33</sup> IDLG/GDMA Website.

*The functions of GDMA are to:*

- *Support municipalities in providing basic social services and infrastructure.*
- *Formulate and implement municipal policies, rules and regulations.*
- *Facilitate drafting and developing Strategic Municipal Planning.*
- *Supervise and control municipal financial affairs.*
- *Provide coordination for the involvement of the private sector to improve socio-economic conditions of citizens.*
- *Enhance public participation in municipal decision-making.*
- *Improve management systems in municipalities.*
- *Build capacity of municipal staff.*

To achieve its mission, the directorate has six departments, each led by a department head and tasked to support the development of the 153 municipal administrations across the country in various matters:

1. Administration and Finance Department
2. Economic Development Department
3. Revenue Policy Department
4. City Services Department
5. Strategic Planning Department
6. Statistics and Reporting Department

In addition to these departments, GDMA has national and international donor-funded experts providing technical support to the development of policies, regulations and guidelines, and data analysis.



*Fig. 8. The building of Mazar-e-Sharif Municipality.*

A total of 181 municipalities are on record at GDMA, but some are not functional due to a lack of security in rural areas, or because they cannot generate enough revenue to operate. This leaves 153 municipalities which are operational. In 2013,

50% of the municipalities had their own building forming part of their municipal assets, while 48% used or shared district administration buildings. The remaining two percent of the municipalities were inactive or exist only on paper.

To be able to oversee, manage and regulate the affairs of all municipalities of Afghanistan, GDMA needs reliable data on these municipalities. A survey was considered to be the best method to obtain the necessary data. A concept was developed to collect, collate and analyse the required data with the aim of identifying some of the major achievements municipalities have made, the challenges they face and the opportunities they have, and of developing recommendations on how to improve the performance of municipalities so that they can respond to the needs of citizens in the best possible manner. Terms of Reference for such a survey were developed, a donor was found, and the service was outsourced to a local non-government organization<sup>34</sup>. In 2013, the data was obtained first-hand in all 181 municipalities through interviews and examination of records, a process that took almost six months. The exercise proved to be a fruitful one, the results have contributed to the present publication. The data is being entered into a municipal database at GDMA that is designed to provide easy access to all departments.

### 3.3 Infrastructure improvements

The two main purposes of municipal administrations are to provide urban services in a cost-effective and efficient manner, and to develop cities in a way that has the support of the citizens. Since 2002, the focus has been on

- Construction of streets, drainage, culverts and pavements,
- Construction of public toilets,
- Construction of public parks and lining streets with trees,
- Construction of slaughter houses,
- Construction of markets and promotion of economic activities,
- Collection and removal of solid waste,



*Fig. 9. Public latrines in Zaranj, provincial capital of Nimroz province.*

<sup>34</sup> TBFO 2013. The questionnaire developed for the survey and key information are attached as Annex 3.

- Implementation of master plans as well as detailed plans for the provision of housing and city services,
- Provision of recreational facilities such as cinema, theatre, sports facilities.

Municipal infrastructure improvements require close coordination with the Ministry of Urban Affairs (MUDA) among other ministries and agencies. According to a Memorandum of Understanding between GDMA and MUDA, the Ministry of Urban Affairs is responsible for producing master plans for the cities, while GDMA and the municipalities contribute to the development of the detailed plans and implement them. In 2013 Master Plans for six cities and Strategic Municipal Plans for 55 municipalities (27 provincial and 28 district municipalities) were prepared, and Municipal Economic Development Profiles and Plans developed for 26 municipalities.



*Fig. 10. Municipal park in Farah city, provincial capital of Farah province.*

### 3.4 Municipal Staff

All in all 8,200 staff members including the mayors work in the 153 municipalities managed by GDMA, ranging from district municipalities that have ca 20 employees to provincial capitals with ca 1000 employees. Paroon as the smallest provincial capital (Nuristan) has six staff members, while the largest capitals, Herat and Kandahar, have ca 1100 and 950 staff respectively.

### 3.4.1 The Tashkeel reform

Until the end of 1392 (spring 2014) all municipal staff either had permanent jobs that were part of the staff plan, or temporary contracts. Roughly 2,500 of the 8,200 municipal employees had posts that were part of the approved staff plan, the ‘Tashkeel’ (civil servants), and the remaining ones were contracted staff. Low salaries made the civil service in municipalities unattractive for qualified staff, mayors included, and fuelled corruption.

In 2013 an administrative reform of municipal staff plans and contracts, the ‘Tashkeel reform’ (i.e. the ‘Pay & Grade process’ in the National Priority Programmes, see below) was started in the provincial capitals and will also be applied to the district municipalities. This reform has abolished permanent posts as such and has replaced them with a merit-based system which assesses the performance of staff bi-annually. Significant pay-rises are also part of the reform, making the civil service more attractive to qualified members of the work force. However, the municipalities can still not compete against international organisations that have been hiring local staff at significantly higher salaries, creating a brain drain that has hindered much of the development which donor countries have hoped to see in government institutions, and which they have failed to see because of a two-class system in which most young professionals with a private education that includes English language skills seek jobs with international organisations rather than Tashkeel positions.

The new Tashkeels were developed jointly by IDLG/GDMA, the Civil Service Commission and the Office of Administrative Affairs of the President and have resulted in the creation of three major categories of Tashkeels based on the fixed revenues of the municipalities. Grade 1 municipalities raise more than 100 million AFN in fixed revenues and can have more than 300 employees. Grade 2 municipalities raise more than 20 million AFN in fixed revenues and can have between 100 and 300 employees. Grade 3 municipalities raise less than 20 million AFN in fixed revenues and must have fewer than 100 employees. Grade 1 Tashkeels are based on a very different model than Grade 2 and 3 Tashkeels with only slight differences in the structure of their staff plans. The following table lists the provincial capitals and in which grade they are in 2014. All district municipalities are in Grade 3.

*Table 2. Provincial capitals and their grade in 2014.*

No	Province	Municipality	Grade
1	Balkh	Mazar Sharif	One
2	Herat	Herat	One
3	Nangarhar	Jalalabad	One
4	Kandahar	Kandahar	One

5	Helmand	Lashkargah	Two
6	Kunduz	Kunduz	Two
7	Baghlan	Pule Khumri	Two
8	Nimroz	Zaranj	Two
9	Ghazni	Ghazni	Two
10	Khost	Khost	Two
11	Takhar	Taloqan	Two
12	Farah	Farah	Two
13	Paktia	Gardiz	Three
14	Kunar	Asadabad	Three
15	Laghman	Mehtarlam	Three
16	Samangan	Aybak	Three
17	Faryab	Maimana	Three
18	Jawzjan	Sheberghan	Three
19	Badakhshan	Faizabad	Three
20	Maidan Wardak	Maidan Shahr	Three
21	Sari Pul	Sari Pul	Three
22	Badghis	Qala Naw	Three
23	Bamyan	Bamyan	Three
24	Logar	Pule Alam	Three
25	Paktika	Sharan	Three
26	Uruzgan	Tirinkot	Three
27	Ghor	Cheghcheran	Three
28	Parwan	Charikar	Three
29	Daikundi	Nili	Three
30	Panjshir	Bazarak	Three
31	Kapisa	Mahmood Raqi	Three
32	Zabul	Qalat	Three
33	Nooristan	Paroon	Three

### 3.4.2 Gender Mainstreaming

The municipalities, as other government agencies in the provinces, have a long way to go to reach the Millennium Development Goal of 30% women in the civil service by 2020<sup>35</sup>. Only few of the provincial capitals have more than 10% female staff (in 2013: Faizabad, Mazar, Sheberghan, Maimana and Charikar), and most women work in low positions. Nili, the capital city of Daykundi, is the only municipality that had a female mayor for a period of time. The situation reflects social realities that are difficult for the municipalities to overcome on their own.

<sup>35</sup> MDG Report 2010, p. 8 and p. 27.

In 2013 GDMA provided the municipalities with Gender Mainstreaming Guidelines (Annex 1) which address gender issues such as working conditions for female municipal staff and gender awareness. In the same year, a gender focal group was created at GDMA with the support of the Gender Directorate (at the time Gender Unit) of IDLG. This group has focused on building a network of female staff in the municipalities in support of the Gender Mainstreaming Guidelines.

### 3.4.3 Mayors

Out of the 181 municipalities registered at GDMA, 88% had mayors in 2013, while 10% were awaiting the appointment of a mayor. The remaining 2% of the municipalities were inactive for reasons given above. Eighty-five percent of the



*Fig. 11. National Conference of District Mayors in Kabul in 2013.*

*Mayors were appointed by the national government, i.e. IDLG/GDMA, the remaining 11% (mainly district mayors) had been appointed by provincial governors and the remaining few had been hired temporarily by the district governor.*

One percent of the mayors had a master degree while 56% of the mayors had completed 12th grade at school, and 37% had a bachelor's degree. The remaining mayors completed 6<sup>th</sup> to 9th grade or had vocational training (Chart 1).

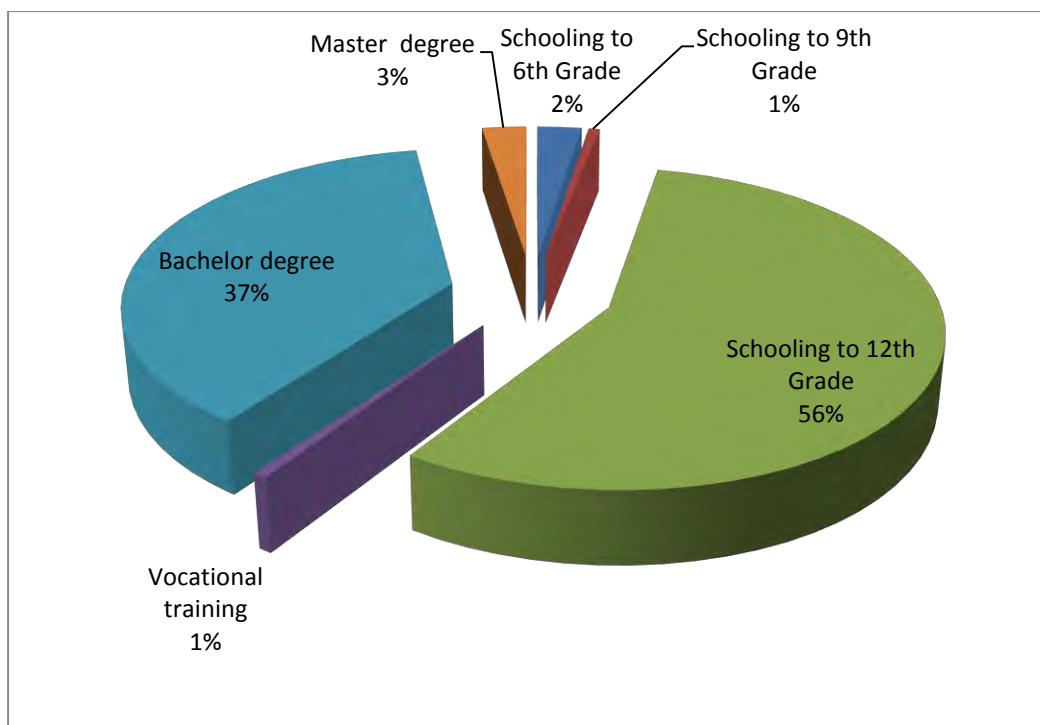


Chart 1. Education of mayors according to the Municipal Survey of 2013<sup>36</sup>.

As mayors are meant to be elected in due course, their positions are not part of the Tashkeel reform (see above), which means that they do not benefit from the pay rises which are part of the reform. Mayoral positions however are an asset to political patronage systems and can be misused in many ways. As a result, not all mayors are upright citizens well-respected by the community they seek to serve, and those that are, are up against many odds.

At national conferences for provincial and district mayors, as well as at regional conferences across the country, letters of appreciation have been given to the mayors of provincial capitals who performed well, based on the results of an annual performance survey that consisted of more than one hundred questions covering good governance, service delivery, city development, economic development, capacity development, and financial administration. District mayors received appreciation letters for specific achievements.

Mayors often have a better idea of what their citizens need than donors and senior officials at the national level because they have better access to information and face

<sup>36</sup> TBFO 2013.

the reality on the ground. Any major decisions and activities however require approval on the provincial and national level, often a time-consuming procedure with an uncertain outcome. As a result, citizens often experience municipal administrations as government agencies that are unresponsive to their needs and take a long time to act in unpredictable ways.



*Fig. 12. The mayor Nili, provincial capital of Daykundi province, receives a Letter of Appreciation at a National Mayors' Conference in Kabul in 2013.*

### 3.4.4 Capacity building

The performance of the municipalities is highly dependent on the capacity of the municipal staff including the mayors as well as on GDMA staff. Capacity building therefore is a high priority at the municipal and the national level, and is carried out according to training plans developed for municipalities according to their grade. Table 3 shows the types of trainings that the municipalities have received or should receive according to their grade. Municipalities of Grades 2 and 3 are meant to receive more basic packages. These smaller municipalities are also in need of the full range of such trainings but limited resources have made it necessary to prioritise.

*Table 3. Official training plan for municipalities of Grade 1.*

Section	Category	Topics
Capacity Building	Governance	Facilitation of Municipal Advisory Boards
		Municipal affairs and accountability training
		Strategic visioning/ municipal action planning
	Management	Overall management
		Problems handling
	Proposal and report writing	New initiatives, proposal writing, defending the proposal and reporting
	Process reengineering	Process mapping, streamlining and reengineering
	Web based services	Creating and administering web services
		Connections with GDMA/IDLG & municipals

Infrastructure/ service delivery	Project management	Project cycle, outline
	Strategic planning	Urban planning and management
		Annual development planning
	Monitoring & evaluation	Monitoring, analyzing, evaluation
	Engineering	Auto Cad, GIS, GPS & Survey
		Landscaping
		Construction management
	Public service delivery	Service improvement
		Cleaning and greening
	Solid waste management	Solid waste management (collection & recycling)
	Public Private Partnership	PPP strategies
	Environment	Environmental procedures

Revenue improvement	Financial management	Cash flows, financial statements
		Essential concepts of planning and organizing
		staffing, leading and controlling
	Budgeting	Types, process, steps including variance analysis
	Accountancy	Double entry accounting system
	Accounting cycle	Journal, ledger, trial balance
		Adjusting (entries and trial balances)
		Payroll accounting
		Balance statements and closing entries
	Economic development	Concepts and principles
	Bank reconciliation	Methods, types, elements
	Bookkeeping	General bookkeeping
	Procurement	Transparency training – procurement law and local procurement process
	Revenue improvement	Revenue recognition, forecasting and collection
		Public awareness campaign on tax collection
	Assets management	Valuing capital assets
		Assets inventory
	Estimation	Estimating workshop

Cross-cutting issues	Outreach	Public opinion, public works structure and task organization and budget development
		In-house public relations and outreach basic skills training
	Cross cutting	Gender and youth participation/involvement
		Civic education campaign
	Public Private Partnership	Public administration training and organizational structure

	Media conference, journalists and municipal officials
	Introduction to public works facilities

Beyond these trainings, workshops on budget preparation and systematic revenue projection in all provincial and district municipalities for account and revenue officers were held last year. Two Tashkeel preparation workshops for Municipal Finance Officers were also conducted to ensure that they would know how to align their municipal staff plans with the Tashkeel reform discussed above.

Trainings and workshops improving technical skills however have limited effect if municipal staff do not have a vision of how they want their municipalities to improve. To help especially mayors to develop such visions, exposure visits were organised in 2013 that took 55 mayors to other parts of the country, and 14 mayors as well as seven GDMA staff to India, Korea, Malaysia, Turkey, and Kenya. While these visits have given the participants an idea of what municipalities can achieve in principle, they have also demonstrated that Afghan municipalities still have a long way to go.

### 3.5 Citizen participation

Functioning cities need urban communities that are willing to pay for services which they can trust are delivered well. Unfortunately the trust between citizens and urban administrations has been destroyed by war, corruption and incompetence, and it is difficult to rebuild this relationship for two reasons: Firstly, urban communities are fragmented; according to the NRVA of 2012–13 “more than one-third (35.9 percent) of the urban population has moved to another place of residence within Afghanistan since birth”<sup>37</sup>. Only some older citizens remember a time when it was considered normal that municipalities functioned, and therefore have an idea of what it is that needs to be rebuilt. Secondly there are major issues with the rebuilding and developing of cities that are beyond the control of municipal administrations, such as land grabbing by war lords and other powerful people.

Municipalities can reduce corruption and build trust by making their ways of generating revenue transparent and their administrations accountable to their citizens. In the provincial capitals citizen service desks have been introduced in an effort to reduce opportunities for municipal staff to extract bribes from citizens who require their services. Citizen engagement in municipal decision making processes however is currently hampered by the lack of the Municipal Councils prescribed in the Constitution (see above). To manage citizen expectations and to encourage citizen participation until municipal elections can be held, provincial capitals have been instructed to

<sup>37</sup> NRVA 2011–12, p. 17.

establish Municipality Advisory Boards (MABs) as a temporary measure that replaces a variety of platforms for citizen engagement which were generally less representative of the urban population.

The number of Municipal Advisory Board members depends on the number of Nahias. Wherever possible, Nahia representatives are selected from existing elected bodies, such as Urban Community Development Councils (CDCs), Area Development Councils (ADCs), Gozar Organizations (GOs) and Nahia Councils (NCs). Otherwise representatives are chosen at the mosque level, from each Masjid Jame, Takia Khana or other religious centre. For details see the Terms of Reference in Annex 2.

A quota system is used to ensure that the Board reflects the full spectrum of the citizenry. One member each is selected from the following groups: Women, youth, civil society, media, martyrs/disabled, religious scholar (Ulema) and one representative from the private sector (traders or craftsmen). The long-term aim is to have at least 25% female municipal board or municipal council members. To this end, at least 10% of the seats of the MABs are allocated to women.

The Municipal Advisory Boards are encouraged to form sub-committees on social services, gender, budgeting, supervision and monitoring, as well as youth committees meeting regularly and providing constructive recommendations to mayors and MABs. At the time of writing, 30 Municipal Advisory Boards have been created in the provincial capitals, and the remaining three ones are underway. The Terms of Reference and the Guideline on the establishment of such boards form an annex to this report (Annex 2).



*Fig. 13. Municipal Advisory Board meeting in Kandahar city, provincial capital of Kandahar province.*

## 4 Municipal Finances

### 4.1 Revenue sources

Municipalities have the authority to raise their own revenues to have timely access to funds to provide services to the public. The rates for revenues which they are allowed to collect however are set by the Ministry of Finance.



*Fig. 14. Charikar, the provincial capital of Parwan, seen from the municipal park 'Gulghundi', a source of income for the municipality.*

Municipal revenues are categorized into fixed and non-fixed sources and play an important role in the composition of the annual municipal budget. An important step towards increasing municipal revenues for better service delivery was to identify and code municipal revenue sources for accounting purposes. Table 4 lists the current sources of municipal revenues. The largest sources of revenue are the City Services Tax, the Safayee Tax, Business Licenses, the Lease, Rent and Contract of Municipal Properties, and the Sale of Properties.

*Table 4. Municipal Revenue sources (English, Dari).*

COA	Municipal Revenue Sources
11180	City Entrance Fee
11183	Residential Area Safayi Fee in planned areas of the city
11184	Commercial Area Safayi Fee
11185	Industrial Area Safayi Fee
11186	Government Institution Safayi Fee
11187	Residential Area Safayi Fee in unplanned areas of the city

11188	City Service charge from Vehicles
11189	Road Maintenance Fee
11190	Late Fees
11191	Land Purchase for Resale
11192	Other charges
	<i>Used for Public Latrines Revenue, Price List Revenue</i>
11193	City service charges from shops
11194	City charges on Government Lands (Irregular)
11195	1% charges on Qabala (deed) transfer
11196	1% Business charges (collected by Mustofiat)
11197	1% Share of Custom Duty
12287	Educational institutions license
13201	Rental Government Housing
13202	Rental Government Shops
13203	Lease of Government Land
13209	Sale of Agricultural Products
13211	Water and Power Services
13226	Tourism Services
13235	Rent- Tech. Equipment Vehicles
13260	Market Contract Revenue
	<i>Used for Slaughter House, Grain Market, Grocery Market, Wood Market Revenues</i>
13261	Rent Hotels and other properties
13262	Communication Tower Revenue
13263	Cattle market (Nakhas) charges, import of meat etc
13264	Parking Lot / Bus Station Revenue
13265	Entrance ticket of cinema and theatres
13266	Entrance ticket of parks and zoo
13267	Sport Stadium Revenue
13268	Recreational Area Fee
13269	Cleaning of Septic Tanks
13270	Other cleaning service charges
13271	Poultry, Bee, Fish forms Fee
13272	Funeral Car Rental
	<i>Used for Municipal Vehicle Rental, Drinking Water Vehicle Service</i>
13273	Memorial Service Hall Rent
13274	Cultural services/ Musicians' Group
13275	Mapping and construction drawing Revenue
13276	Road Restoration charges
13277	Sale of discarded material
13278	Number plates for shops and residential houses
13279	Municipal Services to Govt. Institution
13280	Sale of plots to citizens
13281	Billboard Revenue
13283	Firewood Sales
13284	Sale of Sand and Stone
13304	Sale of official forms
13381	Banks, financial institutions, money exchangers license fees

13382	Manufacturing and Industry license fees
13383	Machinery production, repair and installation license
13384	Hotels, Restaurants and guest house license
13385	Professional services license
13386	Work Permit Revenue
13387	Educational/training institutions license fees
13388	Mass media and recreational license
13389	Health Services License
13390	Business Registration Fee
13391	Work license for Afghan People who are working with External Institutions/External NOG
13392	Work permit for janitorial staff
13393	Construction permit fees
13394	Engineering, Architect and building control fees
13395	Basement construction permit fees
13396	Communication Companies license fees
13397	Air travel agency license fees
13398	Land transportation agency license fees
13580	Fines on buildings exceeding the construction limits
13581	Occupational infringement fine
13582	Other Fines and Penalties
13583	Fines on late payment of charges
13584	Other fines
14005	Transfers From Prior Years
14009	Miscellaneous Revenue
14010	Unclassified Revenues
14047	Reimbursement Returned Amounts
15080	Land Sales – Residential
15081	Land Sales – Commercial
15082	Other Land Sales
15083	Municipal Buildings Sales
15084	Land Title Transfer Fee

Reforming regulations related to municipal revenues formed a further important step towards increasing municipal revenues for better service delivery (Table 5).

*Table 5. Revenue sources for municipalities.*

Revenue Source	Description	Current Status
Safayee Tax (Residential, commercial, industrial and governmental)	Regulated by a Safayee regulation, procedures and tax table	Under discussion in the Economy Committee of the Cabinet of Ministers
Business License for all types of businesses, small businesses,	Regulated by a Business License tax table	As above

telecommunication companies, commercial banks		
Lease of municipal property	Regulation on lease for municipal properties	As above
Rent of municipal property	Regulation on rent for municipal properties	As above
Contract for municipal property	Regulation on property contracts	As above
Municipal Services tax	City Services Law	New law is drafted at GDMA
City roads operations and maintenance tax	Regulated by tax table for operations and maintenance of the streets.	Sent to municipalities for implementation
Bill Boards, smaller boards on poles, balloons, digital boards and smaller notice boards tax	Regulated by city services tax table	As above
Sale of plots and lands (residential, commercial, industrial and governmental)	Residential, commercial, industrial and governmental land/plot distribution regulation	At Ministry of Justice for review
Fines & penalties (taxable and non-taxable)	Regulation guided by Financial Affairs and Public Expenditure Management Law and instructions of the MoFA to municipalities	Due from MoFA
Municipal engineering services	Regulated by an instruction of MoFA to municipalities	As above
1% tax on title/ownership transfers and registration	Regulated by instruction of MoFA to municipalities	As above
1% tax on property titles	Regulated by instruction of MoFA to municipalities	As above
Fee on forms/templates, booklets etc.	Regulated by a procedure devised by municipalities	GDMA is in contact with MoFA about unified instructions to the municipalities
Approval fee for sketching properties required for building applications	Regulated by a procedure devised by municipalities	As above
Municipal vehicles rent	Regulated by a procedure devised by municipalities	As above
Hiring of municipal music band	Regulated by a procedure devised by municipalities	As above
Change of shop name	Regulated by a procedure devised by municipalities	As above

## 4.2 Revenue Enhancement

As municipalities have to raise their own revenues to be able to fund the services municipalities have to deliver according to the law, municipal revenue enhancement is considered to be a key towards the improvement of municipal services. In the face of outdated and incomplete records, corruption, and a low capacity to collect revenues, municipalities needed to make a new start with the registration of municipal properties such as houses, shops, markets and public parks.

A further key area is the identification of new sources of revenues through private sector engagement and the creation of new development plans through local economic development processes. Municipalities are expected to engage with the private sector for the benefit of their citizens, and until a law and regulations are in force for this purpose, municipalities can base joint ventures with the private sector on Article 40 of the Procurement Law. The responsibility to develop a Public Private Partnership (PPP) law and regulations was given to the Ministry of Finance in Presidential Decree No. 45 of 2013. GDMA is currently working on a PPP guideline aimed at enabling municipalities to tap into this potential until a law and regulations are in force. The guideline however will not solve the problem of a missing legal framework needed to provide legal certainty for the private sector when engaging in the urban development. This will require an attractive legal package for private investments in the urban development sector.

Despite these problems, there have been joint ventures in Afghan municipalities, for example in Mazar-e-Sharif, which is one of a few municipalities across the country where the private sector engages in various forms. A dry-fruit market with 114 shops and two big warehouses owned by the municipality has been renovated by the businesses using the market in exchange for having their rents halved until the costs of the renovation are covered. Two further markets on municipal ground were built by private companies that pay the municipalities an annual rent for 16 and 30 years respectively, until the property is taken over by the municipality. The construction of a further market based on the PPP model ‘Build – Operate – Transfer’ is underway. Beyond these joint ventures, the municipality has also built a market which it leases to private businesses.

Solid Waste Management is another important area for joint ventures. Currently, the Solid Waste Management cycle usually consists of the following steps:

1. Waste collection from households,
2. Transfer of waste to waste bins,
3. Segregation of the waste by poor people, mostly children, who retrieve materials of value to sell them,
4. Shifting the rest of the waste to a dumpsite.

In the past three years, the USAID-funded RAMP UP project (see below) supported the collection of ca 1,070,059m<sup>3</sup> of waste<sup>38</sup> from about 10,506 skips installed in provincial capitals across the country. About 180,960m<sup>3</sup> of soil were excavated on dumpsites. However, in its annual assessment for 2013, GDMA found that although more than 30% of the operational budget of the municipalities had been spent on Solid Waste Management, there were still many complaints from citizens about waste collection and city cleaning. GDMA is therefore promoting private sector engagement in Solid Waste Management, as is already the case in Herat, Ghazni and Khost municipalities. In Charikar private sector engagement is in the planning stage.

Herat, Ghazni and Khost achieved remarkably positive results through their engagement with the private sector. The contracts were promoted and signed by citizen representatives, with the mayor only signing as a witness. The City Services Department of GDMA considers Ghazni municipality the most successful case. It seems that public participation and private sector engagement were key elements in a success story which surpassed the expectation of both the municipality and the citizens. Citizens are willing to pay as much as 1.5 AFN per day for the service, which reduces the financial burden of the municipality and allows it to concentrate on other city services such as greening and infrastructure improvements.

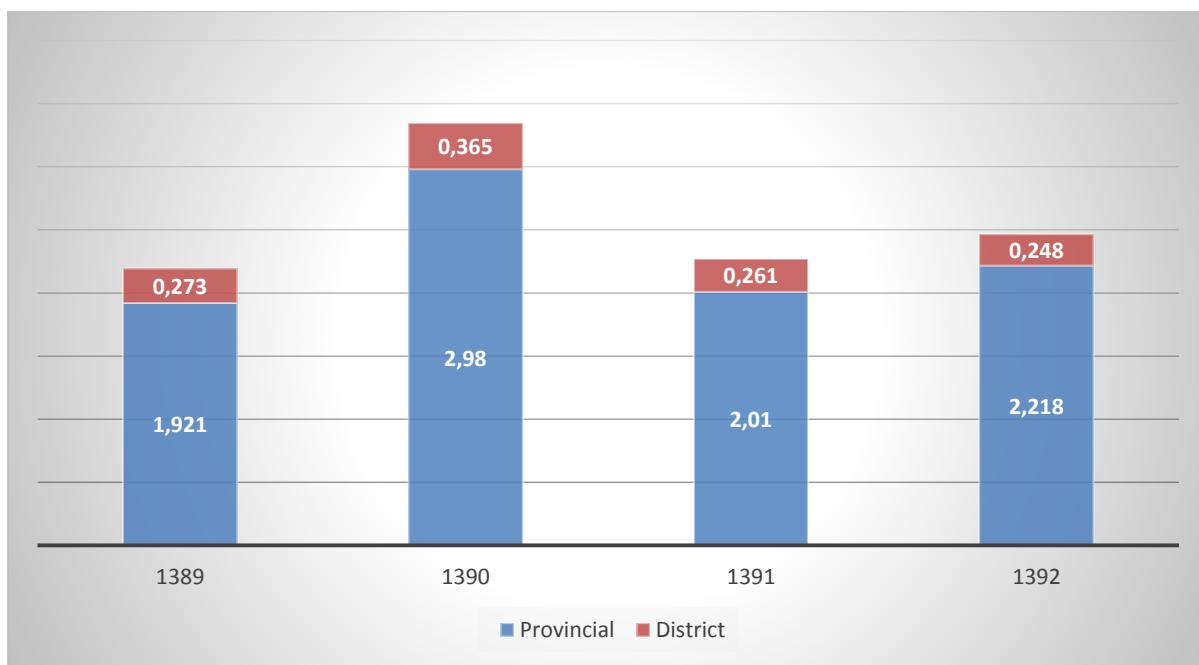
### 4.3 Revenue figures

According to their reports, the municipalities generated more than 2 billion AFN in revenues each year between 2010 and 2013. Chart 2 shows a total of 2.194 billion AFN in 1389, 3.711 billion AFN in 1390, 2.271 billion AFN in 1391, and 2.469 billion AFN in 1392. Most of the revenue was generated by the provincial capitals (Chart 2).



*Fig. 15. Municipal slaughter house constructed in Maimana, provincial capital of Faryab province, in 2011.*

<sup>38</sup> Information provided at the RAMP UP Closeout Conference in Kabul on 12 March 2014.



*Chart 2. Revenues generated by the provincial capitals and district municipalities 1389–92 in billion AFN as reported to GDMA.*

Table 6 shows the revenue projection of the capital cities, the revenue they reported to have generated, and how many percent of the projected revenue were achieved. The percentages are shown in Chart 3. Only Bamiyan and Asadabad underestimated their capacities to generate revenues and actually reported higher achievements than they had projected (Bamiyan 127%, Asadabad 101%). Sar-e-Pol at the other extreme reported to have achieved only 10% of the revenue it had projected. Of the four major cities, Mazar and Jalalabad performed best, with a generation of 60% and 58% of their projections respectively, while Herat reported to have achieved only 36% and Kandahar only 26%.

*Table 6. Capital cities of Afghanistan. Revenue: projected and actual revenues of the capital cities in 2013 as reported by the municipalities (AFN; figures rounded). Achieved %: percentage of projected revenue actually generated.*

	Projected revenue, AFN	Achieved revenue, AFN	Achieved %
Herat	1,133,202,200	416.65 million	36%
Mazar	582,648,000	350.83 million	60%
Jalalabad	347,450,339	203.37 million	58%
Kandahar	723,448,989	194.04 million	26%
Farah	151,388,621	146.33 million	96%
Lashkargah	373,068,654	139.50 million	37%
Khost	263,266,035	90.16 million	34%
Ghazni	106,350,975	78.88 million	74%

Aybak	86,802,677	58.58 million	67%
Kunduz	86,002,008	52.62 million	61%
Pul-e-Khumri	179,049,234	46.50 million	25%
Chagcharan	64,440,000	41.73 million	64%
Metharlam	81,655,002	35.05 million	42%
Maidan-e-Shar	132,329,980	34.25 million	25%
Bamiyan	23,370,062	30.28 million	127%
Taloqan	50,101,680	29.24 million	58%
Gardez	33,585,444	26.88 million	80%
Sheberghan	36,066,275	25.58 million	70%
Zaranj	46,900,000	23.70 million	50%
Maimana	46,805,420	23.52 million	50%
Charikar	21,034,167	19.72 million	93%
Pul-e-Alam	32,058,307	19.63 million	61%
Asadabad	18,128,841	18.38 million	101%
Sar-e-Pul	158,603,639	17.08 million	10%
Nili	32,263,000	16.04 million	49%
Mahmood Raqi	67,397,992	15.15 million	22%
Faizabad	27,225,200	14.40 million	52%
Qala-e-Naw	22,788,281	12.76 million	55%
Sharana	66,935,613	12.55 million	18%
Tirinkot	25,053,261	10.76 million	42%
Qalat	11,935,000	9.38 million	78%
Bazarak	21,044,091	5.39 million	25%
Paroon	781,225	-	-

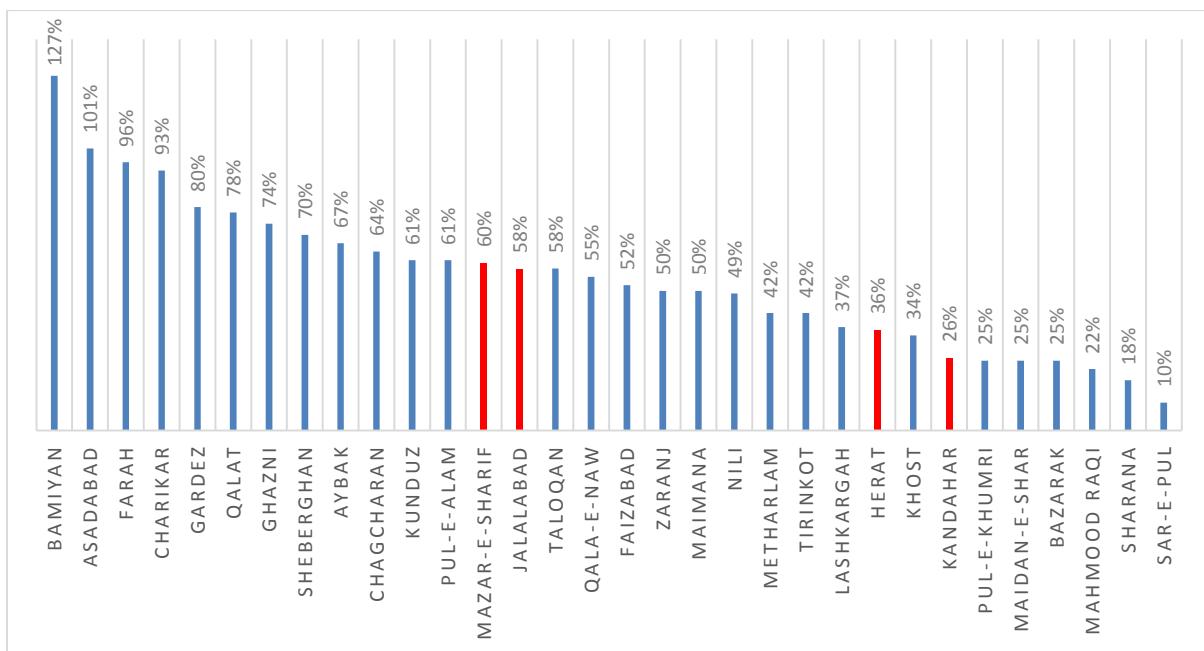


Chart 3. Percentage of projected revenue the municipalities reported to have achieved in 1392. The four largest capital cities are marked in red.

As the capacity of the municipalities to raise revenues varies and only fixed revenues provide revolving funds, the latest tashkeel reform grades municipalities according to the fixed revenue they raise and not according to their size, taking into account that a large city with a low capacity to raise fixed revenues may not have the capacity to pay large numbers of staff over an extended period of time (see above).

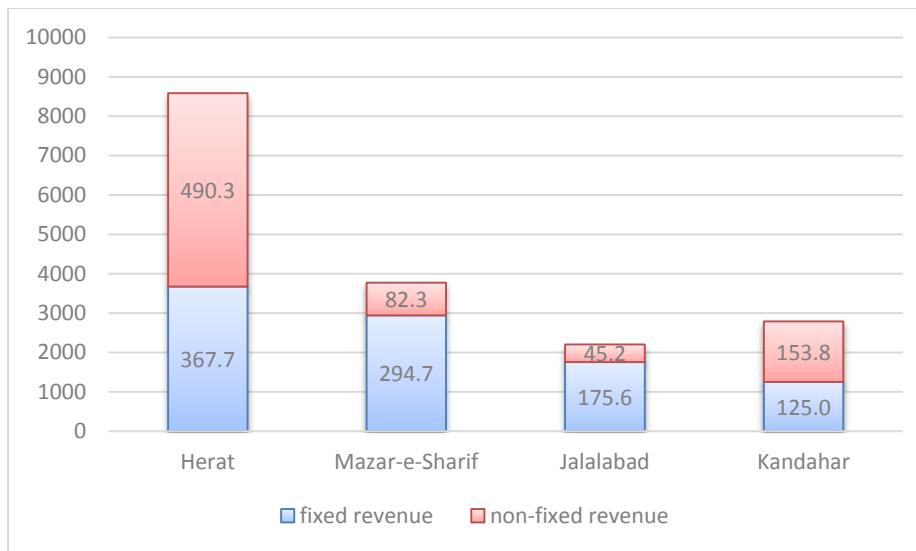
Charts 4a and 4b show the fixed and the non-fixed revenues of the four major provincial capitals of Afghanistan in 1390 and 1391. In 1390 and 1391 these cities generated almost half of the total municipal revenues in these years (1.734 billion AFN of 3.711 billion AFN, and 1.078 billion AFN of 2.271 billion AFN).

Herat owned its exceptional success in 1390 to non-fixed revenue generated from selling plots for housing in two development areas. The budgets of Mazar-e-Sharif and Jalalabad consisted mostly of fixed revenues, while Kandahar generated mainly non-fixed revenues in both years from the sales of commercial and residential plots for development.

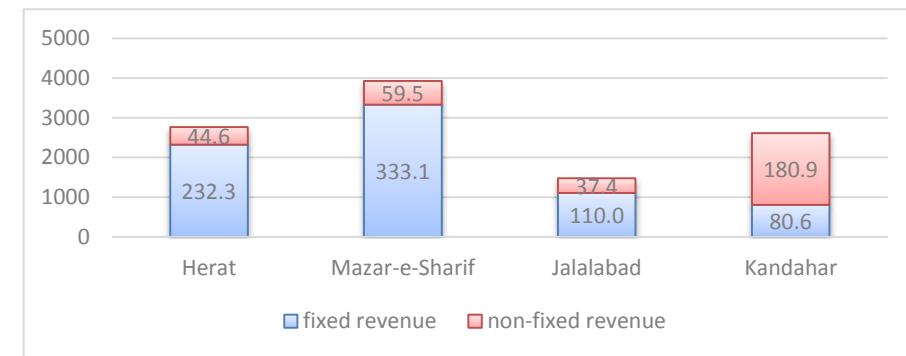
#### 4.4 Municipal budgets

Currently 153 of the 181 municipalities on record at GDMA are functional, which includes all provincial capitals. The main criteria for considering a municipality functional is the approval of the staff plan and the budget for a particular year. Any municipality that is not able to prepare and submit its annual budget is not included in the official list of municipalities for that year.

Municipal budgets are compiled of three elements: the projected fixed revenue, the projected non-fixed revenue, and the municipal bank balance. Forty-five percent of the fixed revenues can be spent on running costs, such as salaries of employees, consumables and administrative items such as stationary, which make up the operational expenses. The Ministry of Finance has two major budgetary codes for the operational budget, Code 21 for salaries and allowances, and Code 22 for goods and services. The remaining 55% of the fixed revenues, the non-fixed revenues and the savings can be spent on the development budget. This consists of Code 23 for payables, and Code 25 for capital expenses, i.e. items whose value exceeds AFN 50,000. If a financial year is successful and allows for additional spending, a supplementary budget can be drawn up, which allows to increase the number of staff and generate more revenue. A budget revision is required when a municipality urgently needs to reallocate budgetary resources.



*Chart 4a. Fixed and non-fixed revenues of the four major provincial capitals in 1390 in million AFN.*

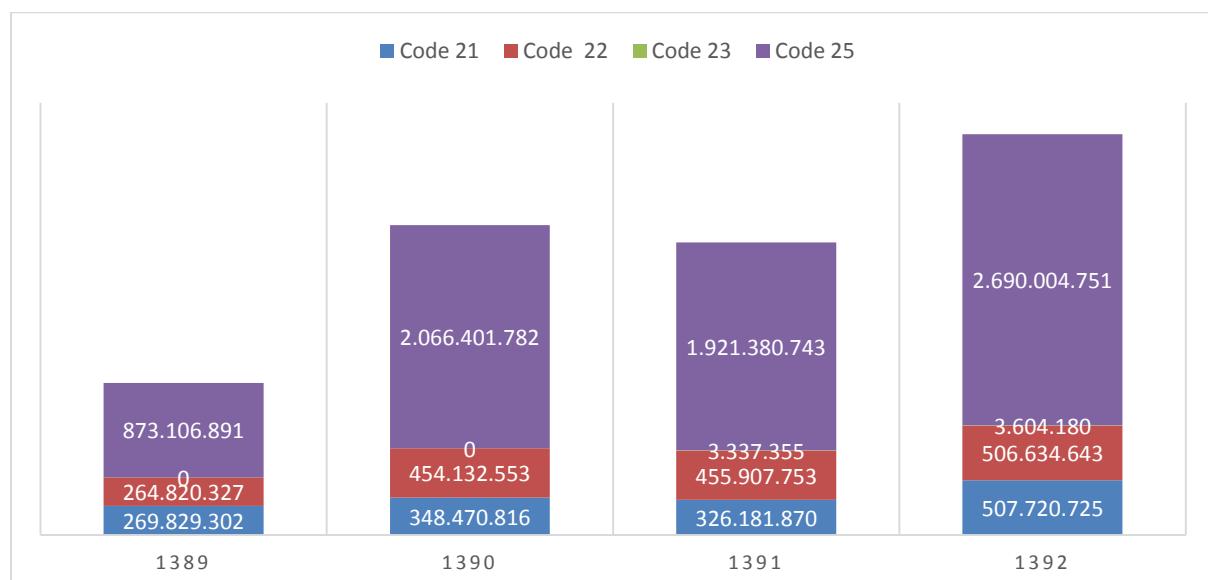


*Chart 4b. Fixed and non-fixed revenues of the four major provincial capitals in 1391 in million AFN.*

Table 7 gives the figures for the operational and development budgets of the municipalities from 1389 to 1392, and the related expenditures. Throughout the years, operational costs were kept below capital expenditure (Chart 5) and were always covered by the revenue generated. In 1391 and 1392 however, the total expenditure exceeded the total revenue generated (see below).

*Table 7. Operational and development budgets and expenditure of the municipalities 1389–92. Operational budget: Budget lines 21–22; Development budget: Budget line 23 and 25.*

	Operational budget		Development budget			<b>Total</b>	
	Code 21:		Code 25:				
	Salaries & Allowances	Code 22: Goods & Services	Code 23: Payables	Capital Expenditure			
<b>1389</b>							
Budget	368,529,938	414,966,345	33,329,362	2,701,287,009	<b>3,518,112,654</b>		
Expenditure	269,829,302	264,820,327	0	873,106,891	<b>1,407,756,520</b>		
<b>1390</b>							
Budget	504,213,247	646,774,736	32,361,608	4,625,307,220	<b>5,808,656,811</b>		
Expenditure	348,470,816	454,132,553	0	2,066,401,782	<b>2,869,005,151</b>		
<b>1391</b>							
Budget	452,890,166	793,456,990	0	6,335,660,186	<b>7,582,007,342</b>		
Expenditure	326,181,870	455,907,753	3,337,355	1,921,380,743	<b>2,706,807,721</b>		
<b>1392</b>							
Budget	701,689,218	860,060,688	0	5,958,436,474	<b>7,520,186,380</b>		
Expenditure	507,720,725	506,634,643	3,604,180	2,690,004,751	<b>3,707,964,299</b>		



*Chart 5. Operational costs (Codes 21–22) and capital expenditure (Codes 23 and 25) of the municipalities 1389 to 1292 in AFN. Data derived from Table 7.*

The existing municipal financial documents (Public Finance and Expenditure Management Law and its regulation including the current Municipal Law) have limited provisions on municipal finance, e.g. budget preparation. There is not enough guidance on contingency planning in cases of an emergency, on cases in which municipalities are not able to prepare their annual budgets, on cases in which municipalities have not been able to pay their staff for two consecutive years, and on the responsibilities of the central government in cases in which municipalities need financial support.

According to Article 25 of the Municipality Law<sup>39</sup>, municipalities submit their reports on revenues and expenditure to the Ministry of Finance. First, however, the municipality has to present the budget to the Provincial Administration Council, and some changes may be made based on the comments of council members, including Mustufiats (Department of Ministry of Finance at the provincial level) or of the provincial office of the Ministry of Finance. Once the changes are incorporated, the Governor endorses the budget. After the approval of the Governor, the budget is submitted to IDLG. The role of IDLG is to assess the budgets, and to compare and certify them. Only then is the budget submitted to the Ministry of Finance for final approval. The whole process may take one to three months.

The municipal annual budget documents consist of forms B13, B1 (Fixed Revenue), B1 (non-fixed Revenue), B4, B6, B10 and B12 and are signed and stamped by the Municipal Accounts Manager, the mayor, the Mustofiat and the Governor. Originally four original copies had to be produced but to speed up the process and to reduce the amount of paper work and thus confusion and mistakes both at the municipal level and in the Ministry of Finance, the number of copies has been reduced to one copy, supported by an annual bank statement, the salary report of the last month, the report on the activities, achievements and problems of the previous year, and a plan for the development budget of the following year.

Chart 6 shows the revenue projection of the municipalities for 1389–92 (2010–13), the actual revenue they reported for the same years, the municipal budgets approved by the Ministry of Finance, and the spending reported by the municipalities. As already seen in Chart 2, the revenues of the municipalities peaked in 1390. In this year new rules and regulations on revenues were implemented, in particular the Presidential Decree 35 on City Services, which provided new scope for the municipalities to raise revenues, such as a new street tax for vehicles due at registration. Tax rates went up after a revision of tax tables by the Ministry of Justice, and in addition to this many municipalities generated non-fixed revenues through the sale of commercial and residential plots for new developments. Donor support to revenue generation provided by RAMP UP, ASGP and UN-Habitat (see

<sup>39</sup> Afghanistan Municipal Law 2000.

below) started in 1389 and added to the boom in 1390 through increased business licensing.

In 1391, the fiscal year was changed from the Persian calendar to the Gregorian calendar, shortening that particular fiscal year to nine months. In the same year the collection of the City Services Tax by municipal staff at the city gates was replaced by a new system which added 0.25% to the customs service tax collected at the customs offices as a replacement of the Citizen Service tax. The new system generated only around 12 million AFN in six months, and municipal revenues dropped dramatically as a result. After these six months, the Citizen Service tax was reintroduced, but the cities had already suffered substantial losses.

From 1389 to 1392 revenue projection increased from year to year but was never reached by the actual revenues (Chart 6). Of the 19.3 billion AFN projected for the four years, only about 10.2 billion AFN were reported to have been generated. In the same period, only a part (almost 10.6 billion AFN) of the approved budget (24.4 billion AFN) was actually spent according to the records. Expenditure did not exceed the actual revenues in the first two years, but in the following two years the municipalities as a whole lived off their savings. However, actual revenues increased after the difficult year of 1391, and with the experience gained in past years, there is now enough data available to work on more realistic revenue projections for future years.

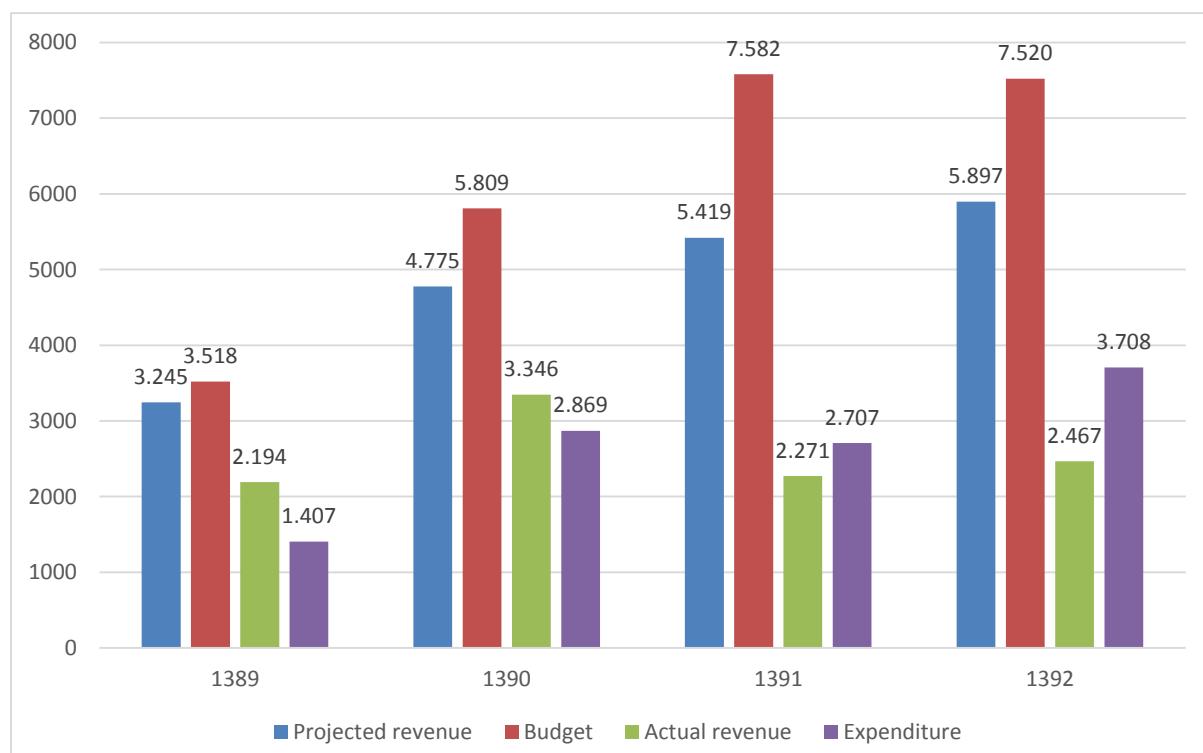


Chart 6: Projected revenues, projected budget, generated revenue, and expenditure of the municipalities in 1389–1392 (in billion AFN).

## 5 Development Objectives

In light of the Millennium Declaration Afghanistan signed in 2004, a National Development Strategy (ANDS) was developed for the period 2008–13, which included the strategic objective for urban development “to greatly improve the management of urban areas through a devolution of authority and responsibilities to municipalities in a way that improves urban infrastructure and services, reduces urban poverty and allows urban residents to live safe, healthy and productive lives and cities to grow and prosper. Effective management of the rapid urbanization process will make a significant contribution to the recovery of the country”<sup>40</sup>.

The Independent Directorate of Local Governance had already been created at the time by a presidential decree (see above), and the Directorate of Municipal Affairs was given further weight in 2010 by being made an independent directorate. In May 2008 IDLG was given the task to develop a sub-national governance policy through Presidential Decree 2008/1047. This policy has been in force since 2010 and is due for review in 2014<sup>41</sup>.

### 5.1 National Priority Programme

The Kabul Process initiated by a speech of H.E. the President Islamic Republic of Afghanistan in 2009<sup>42</sup> led to the design of National Priority Programmes (NPPs) for the period 2012–2014, which build on the ANDS: “By articulating and operationalizing National Priority Programs (NPP) as integral to the Afghan National Development Strategy (ANDS), the Afghan government and concerned nations forged a new partnership to carry Afghanistan into its future”<sup>43</sup>. Municipalities are covered in two components of the NPP: Local Governance Programme in the Governance Cluster<sup>44</sup> and National Urban Delivery Programme in the Infrastructure Development Cluster<sup>45</sup>. GDMA is responsible for the deliverables in the Governance Cluster:

<sup>40</sup> ANDS 2008, p.10.

<sup>41</sup> IDLG SNG Policy 2010, p. 10.

<sup>42</sup> Kabul Process Online, cf. ‘Background’, <http://www.thekabulprocess.gov.af/index.php/clusters--npps/background>, Accessed 16 June 2014.

<sup>43</sup> Kabul Process Online, cf. ‘Home’, <http://www.thekabulprocess.gov.af/>, Accessed 16 June 2014.

<sup>44</sup> NPP Local Governance 2012.

<sup>45</sup> NPP Urban Delivery 2012.

### 5.1.1 NPP4 Component 3: Municipal Administration

#### Sub-component 15: Provincial Municipal Administrations' Refurbishment and Equipment.

Intended outcome: By the end 2014, 33 provincial municipal administrations will have been assessed and appropriately furnished and equipped consistent with the objectives laid out in II.9 of the SNGP on facilities and amenities in sub-national municipalities, enabling them to discharge their duties efficiently and safely.

Deliverables 15.1–2: By end of 2014, all 33 provincial municipalities will be refurbished and equipped according to IDLG/GDMA standards, and acknowledgement receipts will have been obtained. This was fully achieved on schedule.

#### Sub-component 16: Municipal Administrative Reforms and Municipal Urban Strategic Development Plans

Intended outcome: (i) By the end of 2014, 36 municipal administrations (33 provincial municipalities and three district municipalities) will have the Pay & Grade process (Tashkeel reform, see above) completed, administrative systems reformed, and municipal staff skills developed to deliver basic municipal services and follow principles of good governance at the municipal level – as described in section III of the SNGP<sup>46</sup>; (ii) By the end of 2014, 33 municipal administrations will have developed and implemented Municipal Urban Strategic Development Plans for delivering basic municipal services and follow principles of good governance at the municipal level.

Deliverables 16.1–2: By the end of 2013, the Pay & Grade process will have been completed for 32 provincial and three district municipalities under merit-based appointments and provide required trainings and orientations based upon agreed needs assessments, consistent with policy on capacity development on Section III of SNGP.

The process is completed in eleven provincial municipalities and three district municipalities. It is underway in the remaining 22 provincial capitals. The delay was caused by the necessity of a reform of the reform, which had to be agreed with the Civil Service Commission and the Office of Administrative Affairs of the President, and was carried out in consultation with the municipalities. In the coming months the recruiting of staff for the newly created positions will begin.

Deliverables 16.3–5: By end of 2014, all provincial municipalities will have been assisted in developing Municipal Urban Strategic Development Plans and urban management of them in partnership with MUDA.

This was fully achieved on schedule.

<sup>46</sup> IDLG SNGP Policy 2010.

Sub-component 17: Municipal Finance and Revenues

Intended outcome: By the end of 2014, 33 provincial municipal administrations will have increased their revenues by at least 60%, with revenues coming both from own sources and from support via the Government budget.

Deliverables 17.1–2: By end of 2013, all 33 provincial municipalities will have specific action plans for revenue generation, extending their ability to manage the revenues in an accountable and transparent manner according to the standards to the national law and international good practices.

This deliverable was fully achieved on schedule.

Deliverable 17.3: By end of 2014, all 33 provincial municipalities will have instituted Integrated Financial and Budgeting Systems.

All municipalities have received the software and training.

Sub-component 18: Community-Based Development and Governance in Municipalities

Intended outcome: By the end of 2014, provincial municipalities will benefit from the presence of informally elected MCDCs which are able to design and implement their own MCDPs using block grants

Deliverables 18.1–2: By the end of 2013, a new community-based development and governance programme has been formed in all provincial capitals; the Municipal Community Development Councils have been established and registered; the communities have been mobilized in preparation of the community action planning process for prioritizing projects at the community level.

Activities are ongoing (see below).

Deliverables 18.3–4: By end of 2013, in all 33 provincial capitals, the projects at community level are prioritized, implemented, monitored and handed over to the relevant line departments.

Activities are ongoing (see below).

Deliverable 18.5: By the end of 2014, a Solid Waste Management System has been launched at community level in 33 provincial municipalities.

Solid Waste Management Systems have been launched in all provincial capitals, and the deliverable will be fully achieved as soon as a Solid Waste Management Manual has been disseminated to all municipalities.

## 5.2 Key donors

Due to the low income of most of the municipalities, IDLG/GDMA has made every possible effort to attract donors for them. While there are still some gaps in the provision of additional funds for development projects in municipalities, these efforts have been successful in particular in provincial capitals over the past years. This support has been crucial to the municipalities on their way to self-sustaining government agencies that can serve citizens with competence and efficiency. Donors have addressed both the lack of funds and the lack of capacity, and they acknowledge that municipalities need financial support until they can become financially sustainable, which is more than can be said of a government that has refused to support municipalities with national funds.

### 5.2.1 USAID

The United States Agency for International Development (USAID) has been the main donor to Afghanistan and has provided support to the 33 provincial capitals as well as some district municipalities through a three year program named ‘Regional Afghan Municipalities Program for Urban Populations’ (RAMP UP) worth 240 million USD. Around 60% of this funding was spent on operational costs including security for programme staff, while 40% was spent on deliverables. The program supported three thematic areas:

1. Capacity Development
2. Services and infrastructure
3. Municipal Governance Support

Some further activities were covered under ‘cross cutting themes’. The program provided valuable support in these areas, in particular the provision of key services, capacity building and revenue enhancement, but due to budget limitations included few physical projects. A number of project reports are published online.<sup>47</sup>

RAMP UP played an important part in the refurbishment and equipment of the administrations of municipal capitals (NPP4, component 3, sub-component 15, see above) and contributed significantly to sub-component 18, deliverable 18.5, by supporting the municipalities of Ghazni and Herat in privatizing part of their Solid Waste Management.

A follow-up programme named ‘Strong Hubs for Afghan Hope and Resilience’ (SHAHAR)<sup>48</sup> is expected to start once the Afghan national government elected in 2014 is in place. With a 70 million USD price tag it is smaller than RAMP UP and intended to cover the municipalities along the Ring Road due to their economic

<sup>47</sup> USAID Development Experience Clearing House 2014, Search "Regional Afghan Municipalities Program for Urban Populations".

<sup>48</sup> SHAHAR 2014.

potential. The key components of this program are capacity development, municipal governance and municipal revenue enhancement.



*Fig. 16. H.E. Farid Mamundzay (centre) at a RAMP UP East conference in 2013.*

The other key project besides RAMP UP which provided support to municipalities in recent years was named ‘Land Reform in Afghanistan’ (LARA)<sup>49</sup>. It focused mainly on land reform and upgrading of informal settlements in the capital city Jalalabad where it targeted two informal settlements. LARA sought to “develop Afghan capacity to successfully design, manage, and implement land tenure reform for land market development” and to “support improved land tenure security by helping develop a process for upgrading informal settlements and formalizing land occupants’ rights in Jalalabad”<sup>50</sup>. The project proved highly useful where inhabitants of informal settlements contributed to the upgrading process initiated by LARA, such as demolishing walls around the plots they inhabited to widen roads to allow for the installation of water pipes, drainage, and electricity cables. The wider roads that resulted from this project also allow access for ambulances, the fire brigade and the police in emergency cases. As a further result of this project, these informal settlements were officially recognized by the municipality, which can now raise revenues from it and provide services. In addition, it will give security of tenure to the residents, which will encourage them to invest in their houses and is likely to create jobs in the building sector.

### 5.2.2 UN-Habitat

Funding by the Japanese government channelled through the Japanese embassy in Kabul enabled UN-Habitat to support four major municipalities in Afghanistan, namely Kandahar, Jalalabad, Mazar-e-Sharif and Herat. The programme called ‘Community

<sup>49</sup> LARA 2014; USAID Development Clearing House 2014, Search “Land Reform in Afghanistan”.

<sup>50</sup> LARA 2014.

Based Municipal Support Program' (CB-MSP)<sup>51</sup> focuses on the following key areas, which are in line with the NPP 4 on local governance (see above):

- Community Development
- Capacity Development
- City Infrastructure

Mobilising communities by establishing Community Development Councils (CDCs) for ca 250 neighbouring families at a time are important elements of this project, which provides these CDCs with funds of USD 50,000 on average. This money can be spent on projects which the councils prioritise, usually improvements of drainage, streets and pavements. A mandatory contribution of 30% of the project funds by the community in cash creates a sense of ownership and improves the output. UN-Habitat is thus deeply involved in Sub-component 18 of the NPP, 'Community-Based Development and Governance in Municipalities' and has established 105 Community Development Councils and 21 Gozar District Councils in the four major cities of Afghanistan, Herat, Mazar, Jalalabad and Kandahar. Service delivery projects will be implemented in the coming months, and the activity will be completed in 2015.

The capacity development component of the CB-MSP programme focuses on the provision of technical trainings for municipal engineers and financial administrators as well as GDMA staff. The city infrastructure component covers city projects identified and prioritized by mayors and Municipal Advisory Boards. This component provides a good opportunity for increasing the trust of citizens in the municipality who see a tangible output and improved city services. Phase II of this project is currently under discussion and will hopefully be expanded to at least another three municipalities. It is intended to continue its efforts on community-based development, capacity development and urban infrastructure.

### 5.2.3 UNDP

The United Nations Development Programme (UNDP) has received donor support from a wide range of countries for its 'Afghanistan Sub-national governance programme' (ASGP)<sup>52</sup>, mainly Japan and Sweden (see Fig. 17). The program provides support to 21 provincial capitals and 11 district municipalities across the country in the areas of municipal governance and capacity development. ASGP has played an important part in the refurbishment and equipment of the administrations of municipal capitals (NPP4, component 3, sub-component 15, see above) and is also deeply involved in Sub-component 18 of the NPP 'Community-Based Development and Governance in Municipalities'. In ten cities gozar-level shuras and nahia-level councils have been established and the activity continues.

<sup>51</sup> CB-MSP 2013.

<sup>52</sup> ASGP 2014.

The ASGP programme will last until the end of the year, and discussions about further support from UNDP in the shape of a follow-up programme are underway at the time of writing.

#### 5.2.4 German Government

The German Government has provided support to municipalities in the north both through the German Federal Enterprise for International Cooperation (GIZ) and the German Development Bank (KfW). The GIZ manages the Open Policy Advisory Fund (OPAF)<sup>53</sup> and the Regional Capacity Development Fund (RCDF)<sup>54</sup>. OPAF is supporting the Statistics and Reporting Department of GDMA with the establishment of a central database designed to pool information of all departments and provides easy access to that information<sup>55</sup>. The RCDF has, for example, provided municipal offices with equipment. The German Development Bank manages the ‘Regional Infrastructure Development Fund’ (RIDF)<sup>56</sup> which has been supporting urban areas with infrastructure projects. The ‘Stabilisation Programme Northern Afghanistan’ (SPNA) is implemented by the Aga Khan Foundation, the Agency for Technical Cooperation and Development (ACTED) and Mercy Corps<sup>57</sup>. The Centre for International Migration and Development (CIM), a joint operation of the GIZ and the German Federal Employment Agency<sup>58</sup>, has supported GDMA with a succession of three integrated experts since 2011.

#### 5.2.5 World Bank

The World Bank has been providing support to Kabul Municipality<sup>59</sup> and is hoped to also support the five major cities of Kandahar, Herat, Mazar-e-Sharif, Kunduz and Jalalabad in the near future. The programme would focus on infrastructure, service delivery and revenue enhancement.

<sup>53</sup> OPAF 2011.

<sup>54</sup> RCDF 2011.

<sup>55</sup> Kettler & Hassan 2014.

<sup>56</sup> German Cooperation with Afghanistan 2011.

<sup>57</sup> SPNA 2013.

<sup>58</sup> CIM 2014.

<sup>59</sup> Kabul Municipal Development Project 2014.



Fig. 17. Afghanistan. Donor support to provincial capitals in 2013. For abbreviations in the key see List of Abbreviations.

### 5.3 Donor coordination

In a competitive environment, donor coordination can easily turn into an issue, especially when the government is perceived as a weak counterpart. There is however no way around the government taking the lead to create ownership for the support provided. In 2012, GDMA created Technical Working Groups for the four areas Capacity Building, Service Delivery, Revenue Enhancement and Cross-Cutting Issues, and invited implementing partners and donors to bi-monthly meetings on the technical level to coordinate activities. These meetings proved to be fruitful and will be continued once SHAHAR and the World Bank project start.

Beyond these Technical Working Group meetings GDMA makes efforts to strengthen the government lead in donor coordination further. This will include efforts to increase the on-budget support of donors in an effort to build the capacity of the municipalities, to make them more accountable for progress made through donor support, and to increase the legitimacy of the municipal administrations in the eyes of the citizens.

## 6 Conclusions

### 6.1 Achievements

The municipalities have made substantial achievements beyond the deliverables in the National Priority Programme discussed above, some not driven by high politics but by Afghan efforts much closer to the ground. Most municipalities have seen improvements in recent years in the areas of good governance, capacity development, provision of urban services and municipal revenue enhancement. Despite continuing security challenges and lack of government resources, these municipalities have begun to provide basic services. Especially the provincial capitals have received donor attention that has provided them opportunities most district municipalities have not had. GDMA held bi-monthly donor coordination meetings on technical issues to coordinate these activities and monitored projects implemented by partners in municipalities. A survey of all 181 municipalities held in 2013 provides a sound basis for GDMA to plan and coordinate further support.

GDMA has put much effort into improving the legal and administrative framework for municipal service provision and revenue generation. A municipal reporting system that has been developed is currently implemented by 20 municipalities. The budgets of more than 146 municipalities and four newly created district municipalities were reviewed and processed in 2013.

Municipal Economic Development Profiles and Municipal Economic Development Plans were developed for 26 municipalities. In the course of infrastructure improvements, 1100km of streets were asphalted and gravelled in 2013 alone, 2000km of drainage and 1800 culverts constructed, 1910 km of sidewalk, 56 car parks, 14 municipal buildings, 129 public latrines, 9 bus stops, 49 public parks, and 27 km of retaining wall. In the same year, 3.500.000 m<sup>2</sup> of public space were greened. Eight hundred and ninety solid waste bins were purchased and installed, landfills for 300m<sup>3</sup> of waste prepared, and 5 million cubic meter of solid waste collected. As a result of its achievements, GDMA obtained a seat on the Economic Committee of the Cabinet in 2013.



*Fig. 18. Construction of a street in Gardez, provincial capital of Paktia in 2012.*

Registration of more than 500,000 plots in informal settlements in major municipalities has increased the municipal revenue in the last four years. The process was initiated by UN-Habitat in Kandahar and replicated by other donors across the country.

The boundaries of 17 cities have been marked in preparation of municipal elections, and Municipal Advisory Boards have been created in most of the capital cities as a temporary measure until Municipal Councils can be elected.

There have also been major achievements in the area of gender mainstreaming. Beyond an Anti-harassment Policy Guideline of IDLG for IDLG employees in the centre and provinces, the municipalities received Gender Mainstreaming Guidelines for Municipalities (Annex 1) and are being supported in their implementation by a Gender Focal Group at GDMA.

National mayors' conferences both for provincial and district mayors have been conducted that provided constructive platforms for information exchange and networking, and for guidance to the municipalities. Based on a transparent evaluation procedure, mayors who had performed well received Letters of Appreciation from senior management and GDMA, encouraging them to continue their efforts.

## 6.2 Challenges

While the municipalities have made substantial progress, challenges remain. Some are beyond the control of the municipalities and GDMA, such as land grabbing. Land grabbing is not just an injustice in itself that undermines the trust of the population in its political elite, but blocks the structured expansion and economic development of cities for the benefit of the urban population.

Investment of the private sector in the infrastructure and economic development of cities is a key factor in urban development. The lack of a legal framework that provides legal certainty for the private sector is a problem that would need relatively quick solutions, but passing laws and regulations such as a new municipal law is a lengthy process, which stalls much needed development.

Corruption is a destructive force in Afghan society that deeply affects the ability of municipal administrations to function because citizens are not willing to pay taxes as long as they do not trust that their money is put to good use. While efforts are being made to increase transparency, to reduce opportunities for fraud and bribery, and to increase citizen participation, corruption is a problem that municipal administrations cannot tackle alone.

The donor community, for example, puts high hopes in the elections of municipal councils and mayors based on the expectation that those who will be elected will act in the interest of their constituencies. In a society however that ranks last in the Corruption Perceptions Index 2013 of Transparency International together

with North Korea and Somalia<sup>60</sup>, there is a real danger that those who were elected will misuse their positions to serve their own interests. Corruption does not only keep citizens from paying fees and taxes because they do not believe their money is well-spent; corruption also undermines the kind of citizen representation that benefits a community rather than the self-interests of members of the social elite.

Some readers may expect that each and every achievement described in this report is attributed to the donor or donors that have contributed to it, but this information is already documented in detail by donors and implementing partners, as part of their efforts to be transparent. Donors holding implementing partners accountable is an important element of effective development assistance, but the competitive environment in which donors and implementing partners operate has led to a situation in which implementing partners that were meant to raise the profile of municipal administrations in the eyes of citizens were under pressure to give their own organisations a high profile. As a result, achievements have been perceived as the achievements of implementing partners and donors rather than the achievements of the government, which has had implications on the effectiveness and sustainability of the support itself.



*Fig. 19. Municipal Park ‘Gulghundi’, Charikar. Visitor information: “This Gulghundi Park Renovation Project was completed by the Government of the Islamic Republic of Afghanistan with support from the American People. December 2013”.*

There are also some challenges related to capacity building. Donors acknowledge that the lack of qualified municipal staff is at the heart of many problems in the

<sup>60</sup> Corruptions Perception Index 2013.

municipalities and have relied heavily on national staff embedded at IDLG and in the municipalities to build the capacity of Tashkeel staff. The difference in salaries paid by international organisations and the civil service however has to some extent undermined the effectiveness of the support provided by donors and implementing partners. At the lower levels young professionals from a social elite that can afford private education of a higher quality than that offered by underfunded state-run institutions are expected to transfer their knowledge and skills to Tashkeel staff that has no access to the better paid jobs because it does not have the education required for them, and largely survives on the institutional memory of pre-war procedures. There is high potential for social conflict in this constellation, acerbated by the temptation for programme staff to use their knowledge and skills to build power bases for themselves at their workplace rather than to transfer their knowledge and skills. The many who make an effort often find that they have been hired for their technical skills but have not been prepared by their organisations for the task of teaching colleagues.

The Tashkeel reform is meant to improve the situation and tends to replace senior staff with young professionals who have at least been able to achieve degrees from Afghan state universities, but are usually not in the league of the embedded advisors paid by international organisations. Much of the social conflict therefore remains and has had a negative effect on this type of capacity building.

Capacity building however is a crucial element of donor support because it is linked to ambitious projects that require technical input from municipalities which tashkeel staff is often not able to provide, both on the municipal and the national level. Developing, implementing and monitoring such projects turns into a major issue, and failures in the area of knowledge and skills transfer lead to frustrations on all sides.

### 6.3 Recommendations

The sub-national governance policy of IDLG<sup>61</sup> is due for review in 2014, and no doubt this will be one of the priorities of the newly elected government. It will be an opportunity for policy makers to deal with some of the challenges that were described in the previous chapter. However, past experiences suggest that it is not enough for a policy to support the idea of giving mayors more scope to decide on development priorities in their cities; a legal basis and administrative procedures need to be created that actually enable mayors to do so.

However, a further important issue that policy makers will need to deal with is financial support to the municipalities from the national budget. This does not mean that municipalities should stop generating revenue or should stop looking for sustainable

<sup>61</sup> IDLG SNG Policy 2010.

sources of income that support urban development instead of stifling it. It can however create substantial problems when a law obliges municipalities to deliver services and to hold elections while there are no adequate provisions for the municipalities to discharge these duties.

A policy can pave the way for municipalities being eligible for national funds, but without legal provisions and an adaptation of administrative procedures, good intentions will remain on paper. It will therefore be extremely important to create ownership among the stakeholders for the policy review.

The development of attractive legal packages for investors encouraging them to invest in urban development, such as laws, regulations and guidelines for Public Private Partnerships is an important step that needs to be made to support municipalities indirectly. This will end an investment climate characterised by uncertainty and a lack of vision. It will not take the pressure off municipalities that need much more basic support than joint ventures, but it will be ready for them once they have reached that level.

If these measures are combined with a serious political will at the highest level to work for a better position of Afghanistan on the Corruption Perceptions Index, and to stop the practise of land grabbing, this country may not only see the fastest urban growth in the region but also municipalities that can cope with the challenge.

Donors will play an important role in this scenario, and will need to support not just the big cities but also smaller provincial capitals and the district municipalities. The government however will need to take the lead in coordinating donor efforts, and it will need to encourage donors to fund at least 50% of their efforts on-budget to build the capacities of the municipalities, to make these more accountable for the funds, and to increase their legitimacy in the eyes of their citizens.



*Fig. 20. The author at a national conference of provincial mayors in Kabul in November 2012.*

## 6.4 Next steps

While it is prudent for Afghan government agencies to wait for the newly elected government to set the path for the coming five years, there are matters that can and need to be pursued in the meantime, such as paving the ground for the municipal elections foreseen by the Constitution. The work on demarcating municipal boundaries needs to continue as the basis for a census that will allow for the distribution of voting cards to citizens. If a new municipal law comes into force in time, if there are no major delays with the demarcation of the remaining boundaries, and if the census is carried out in a timely manner, it should be possible to hold elections in 2016. In the meantime, Municipal Advisory Boards require support to pave the way for the Municipal Councils.

The Tashkeel reform needs to be rolled out in all municipalities to put municipal administrations in a better position to discharge their duties according to the law, and the capacity of the newly recruited staff (whether re-hired or newly hired) needs to be built for that purpose. It will be important to support the implementation of the Gender Mainstreaming Guidelines for Municipalities not only in view of the Millennium Development Goal of increasing the number of female civil servants to 30% by 2020, but also in view of female participation in Municipal Councils and in municipal affairs at large.

In view of the rapid growth of the cities, there is no time to lose on the development of further municipal strategic plans and detailed urban plans. The municipalities have a right to constant and reliable support from GDMA in their day-to-day struggle to deliver their services effectively, to enhance their revenues to keep up with the ever growing demand on these services, and to further economic development in their cities. The annual assessments of the work of the mayors have to continue, and for GDMA to be able to discharge all these duties efficiently, communication with the municipalities needs to be further improved.

The ongoing programmes of UN-Habitat and ASGP require the same level of attention they have received in the past, and GDMA eagerly awaits the beginning of the SHAHAR project funded by USAID. There are high hopes for the Municipal Development Programme of the World Bank envisaged for the near future, as well as for a continuation of UNDP engagement with the municipalities in ways that are currently under discussion. It is hoped that the engagement of the German government in the north will include opportunities for municipalities, and there is always scope for further donors interested in Afghanistan's municipalities.

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## Annexes

### Annex 1: The text of the Gender Mainstreaming Guidelines for Municipalities

**Islamic Republic of Afghanistan  
Independent Directorate of Local Governance  
General Directorate of Municipal Affairs**

### Gender Mainstreaming Guideline for Municipalities

#### Overview

The culture and traditions of Afghanistan assign different roles to men and women. While respecting the social structure of Afghan society, the Government of Afghanistan recognizes that women's participation in all spheres of life is both a right and a normative element of democratic governance. Equal participation of women and men reflects the composition of society and is required for enabling institutions to effectively meet their obligations to all citizens, women and men alike.

Women's current low access to basic rights in the public sphere necessitates policy revision. Recognizing the need for such a policy change, the Government of Afghanistan is committed to implementing national laws and agreements on women's rights in light of the Islamic Sharia. The most relevant guiding document is the Afghan National Action Plan for the Women of Afghanistan (NAPWA).

#### The National Action Plan for the Women of Afghanistan (2007)

In 2007, the Ministry of Women's Affairs (MoWA) developed the National Action Plan for the Women of Afghanistan (NAPWA). It is the centerpiece of the Afghan Government's policies and strategies on women and gender. The action plan has a ten-year timeframe that intends to ensure continuity and consistency of the Government's efforts to protect women's citizenship rights in Afghan society.

NAPWA envisions that Afghanistan will be "a peaceful and progressive country where women and men enjoy security, equal rights and opportunities in all aspects of life." The mission of NAPWA is to actively promote institutions and individuals to be responsible implementers of women's empowerment and gender equality by providing a clear focus and direction, coordinated action, and shared commitment to the Government's vision.

NAPWA pursues the twin goals of gender equality and women's empowerment:

- (i)** Gender equality, on the one hand, is a condition where women and men fully enjoy their rights, equally contribute to and enjoy the benefits of development, and where neither is prevented from pursuing what is fair, good, and necessary for living a full and satisfying life.
- (ii)** Women's empowerment, on the other hand, is a condition where women take control and determine the direction of their lives, develop their full potential, make enlightened decisions, and exert positive influence over processes, mechanisms, and decisions that affect their well-being.

NAPWA is the main vehicle of the Government for implementing its gender commitments that were made in a number of other national and international frameworks for supporting women's equal rights and participation in decision-making.

These are:

### **1. The Constitution of the Islamic Republic State of Afghanistan (2004)**

Article 22 of the Constitution says: "Any kind of discrimination and privilege between the citizens of Afghanistan are prohibited. The citizens of Afghanistan – whether man or woman – have equal rights and duties before the law."

### **2. The Convention on the Elimination of all forms of Discrimination against Women (1979)**

The Convention on the Elimination of all forms of Discrimination against Women (CEDAW) was adopted in 1979 by the UN General Assembly. Article 11 of CEDAW obligates all state signatories to take measures to eliminate discrimination against women. This includes discrimination in hiring and promotion at all levels. Article 7(b) obligates all state members to take all appropriate measures to eliminate discrimination against women in the political and public life of the country and, in particular, shall ensure to women, on equal terms with men, the right to participate in the formulation of government policy and the implementation thereof and to hold public office and perform all public functions at all levels of government. *Afghanistan* has ratified the *CEDAW* without reservations in 2003.

### **3. The Millennium Development Goals (2004)**

At the United Nations Millennium Summit in September 2000, heads of states and governments from 189 countries reached a historic agreement on shared values and expressed their unequivocal commitment to halving world poverty by 2015. Afghanistan signed the Millennium Declaration in 2004 and has set the year 2020 as its target to reach the goals of the declaration. Among many other objectives, Afghanistan has agreed to increase female participation in elected and appointed bodies and the civil service at all levels of governance to 30% by 2020.

### **4. The Afghanistan National Development Strategy (2008)**

The Afghanistan National Development Strategy (ANDS) is the product of twelve months of intensive consultations within Government and with a wide array of stakeholders. It establishes the Government's overall development strategy and defines the policies, programs and projects for the period 2008 to 2013 and the means for effectively implementing, monitoring and evaluating these actions.

The ANDS recognizes the full implementation of NAPWA as a high-level benchmark. It states that all government entities will (i) foster a work environment that supports egalitarian relationships between women and men; (ii) establish internal enabling mechanisms for gender equity; and (iii) support women's Shuras. Also, "female participation in all Afghan governance institutions, including elected and appointed bodies and the civil service, will be strengthened by providing a specific percent reservation of seats by enacting a law of affirmative action."

### **5. The Sub-national Governance Policy of the Independent Directorate of Local Governance (2010)**

The Subnational Governance Policy (SNGP) was developed by the Independent Directorate of Local Governance (IDLG) in 2010. It is to be implemented in all local government entities, including municipalities.

Regarding gender equality, the Policy states:

"The ultimate goal of the Government is gender equality, a condition where women and men fully enjoy their rights, equally contribute to and enjoy the benefits of development and are not prevented from pursuing what is fair, good and necessary to live a full and satisfying life. To support the achievement of gender equity, all government entities will

embrace and implement gender equity efforts, including gender-sensitive policies, strategies, budgets and programs. Ensuring that gender equity is achieved is the shared responsibility among government entities and the national and sub-national levels."

One of the most relevant action points for the municipalities is the affirmative action commitment. It (IDLG's Policy) states that 25% of the seats of Municipal Councils will be reserved for women. The set target is to be seen as a minimum and not as a maximum.

### **Why Gender Mainstreaming at Local Governance**

It is an unfortunate fact that gender needs and interests are not given priority at the municipal level. Gender has not been sufficiently addressed as a cross-cutting theme in all departments within municipalities. There is confusion around gender issues being about women. This is understandable given that attempts towards gender equality often entail addressing a woman's status in society. It should be re-emphasized, however, that gender mainstreaming involves recognizing the entire population in development intervention.

The experience by men and women of a city is quite different. City life affects men and women in different ways. A gender-aware approach to urban development and its management would seek to ensure equal access to and control over the resources and opportunities offered by a city. It would also seek to ensure that public services benefit both men and women.

Women face several barriers in urban life: Security barriers and cultural values discourage them from participating in local government and planning institutions. The absence of gender-disaggregated data, especially at the city level, negatively affects how policy, plans and programs address the respective needs of women and men.

### **What can the municipalities do to implement NAPWA?**

#### **Institutionalize Gender Mainstreaming**

- Allocate a budget line in the municipal annual budget for gender-related activities
- Address women's needs for services and infrastructure:
  - Women's markets
  - Women's parks and gardens
  - Public latrines for women
  - Women's bathrooms in the municipal offices and guesthouses
  - Women's funeral homes
- Create and support particular business opportunities for women living in the city
- Ensure equal participation of men and women in all public outreach activities (policy formulation, decision-making, planning, budgeting, implementation and monitoring of municipal projects)
- Raise awareness about women's rights, as stated in the Constitution of Afghanistan and NAPWA, in public information campaigns (brochures, notice boards, TV and radio appearances etc.)
- Recruit a Public Outreach Associate in the municipal *tashkeel* to develop and supervise the implementation of gender activities, youth participation and public outreach
- Coordinate gender related activities with the Department of Women's Affairs (DoWA), other sub-national government entities and civil society organizations
- Create Women Committees in each municipality, where female municipal staff, DoWA representatives and female members of the Municipal Advisory Board can discuss gender issues

- Ensuring land and tenure rights for women

### **Recruitment of Female Staff Members**

- Increase the number of female employees in the municipalities
- Hire appropriately qualified women to management and senior-level positions, including department heads
- During the recruitment process, undertake affirmative action efforts, i.e. hire a female applicant if she has the same qualifications as a male applicant

### **Capacity Building**

- Conduct regular mandatory gender training for municipal staff (the concept of gender, women's rights, gender mainstreaming, anti-harassment, importance and benefits of participation of female citizens in municipal decision-making)
- Conduct mandatory trainings for all staff members on the Afghan Labor Law (non-discrimination in recruitment, hiring, promotion, trainings) and on the IDLG Anti-Harassment Policy Guideline
- Offer on-the-job training for female staff members to increase their skill levels
- Introduce a mentoring program, in which each newly recruited female staff member will be assigned to one employed female staff member who can provide support and guidance in case of gender-related problems at the work place

### **Women's Participation in Decision-making**

- Encourage the contribution of women in participatory municipal processes, i.e. citizen needs assessments, planning and budgeting, project monitoring
- Take all necessary measures to increase women's candidature to and participation in the Municipal Advisory Boards
- Hold regular meetings between the municipal leadership and female staff members to hear their views on the working environment
- Invite female staff members to all team meetings and gatherings of municipal staff
- Share all relevant information on municipal affairs with female staff members

### **Create an Enabling Working Environment for Female Staff**

- Disseminate the IDLG Anti-Harassment Policy Guideline to all staff members
- Enforce the IDLG Anti-Harassment Policy Guideline and take any account of discrimination and harassment seriously
- Report any complaint to GDMA or the IDLG Human Resources Department along with actions taken or to be taken to address the situation
- Create a women-friendly work environment by providing:
  - Toilet
  - Prayer room
  - Day care (providing an extra room with facilities for children)

**The current guide line is observed and approved by IDLG's leadership.**

## Annex 2: The text of the Terms of Reference for the Establishment of Municipal Advisory Boards

**Islamic Republic State of Afghanistan  
Independent Directorate of Local Governance  
General Directorate of Municipal Affairs**

### **Terms of Reference**

## **Municipal Advisory Boards**

### **Article 1: General Provisions**

These Terms of Reference for Municipal Advisory Boards (MABs) are based on the provisions of the Sub-national Governance Policy of the Independent Directorate of Local Governance (passed by Ministers Council) and Municipal Election Law (publication of Official Gazette no 814), realities and current governance requirements to ensure public participation, consultation, and urban governance. They will remain in force until superseded by the new Municipal Law, to be enacted pursuant to Article 141 of the Constitution of the Islamic Republic of Afghanistan, or until determined otherwise by the General Directorate of Municipal Affairs (GDMA) at the Independent Directorate of Local Governance (IDLG).

The Municipal Advisory Board can give advice and make recommendations to the Mayor and to the municipal administration. It has no decision-making authority and cannot veto any municipal plans, activities or the budget.

### **Article 2: Selection of Board Members and Electoral Terms**

1. The number of Board members depends on the number of Nahias. Each Nahia should have two representatives, one from Wakil Gozars and one from the Nahia councils or residents.
2. In cities without Nahias and Gozars, and in cities that have no more than three Nahias, one representative will be elected from each large mosque (Masjid Jamey), religious house (Takia Khana) or other religious community center. These representatives will elect seven representatives in a free, direct, general election as members of the MAB.
3. In cities with more than three Nahias in which Nahia councils and Gozar Organizations have not been established, representatives will be chosen at the mosque level. From each Masjid Jamey, Takia Khana or other religious center one representative will be elected. These representatives will elect from their ranks one representative for each Nahia, and the Wakil Gozars will elect from their own ranks the second representative for each Nahia. These two representatives per Nahia become members of the MAB.
4. In cities that have Community Development Councils (CDCs), Area Development Councils (ADCs), Gozar Organizations (GOs), these organizations will elect representatives. In parts of the Nahia that do not have such bodies, elections are being carried out at the mosque level. From these representatives in each Nahia one person will be elected to represent the Nahia Council and one person to represent the Wakil Gozars..
5. Wherever possible, Nahia representatives are selected from existing elected community representation structures, such as Community Development Councils (CDCs) and Area Development Councils (ADCs), Gozar Organizations (GOs) and Nahia Councils (NCs), so

that one member represents the Nahia Council and the other member represents the Gozar Organization. These two representatives per Nahia become MAB members.

6. In addition to the above, a quota system is used to ensure that the Board reflects the full spectrum of the citizenry. One member is selected from each of the following groups: Women, youth, civil society, media, martyrs / disabled, private sector, and one representative from the businesses (traders or craftsmen).
7. IDLG's policy is to provide 25% of seats in the Municipal Councils to women. As a measure to achieve this aim in the longer run, at least 10% of the seats of the MABs are allocated to women.
8. In case women do not win at least 10% of the available seats, the size of the Municipal Advisory Board is enlarged to create the necessary extra seats for women.
9. Members of the Municipal Advisory Board are selected for a term of two years. The timing of the selection process is determined by the Mayor, based on approval by GDMA/IDLG.

### **Article 3: Composition of Municipal Advisory Board**

#### **3.1. Terms of Candidature for Municipal Advisory Board Members**

Members to the Municipal Advisory Board shall be men and women who meet the following criteria:

- Citizenship of Afghanistan
- Minimum 25 years of age
- Being a resident of the municipality for at least two years
- Literacy skills of a graduate of the 12<sup>th</sup> grade in school, obtained formally or informally
- Not a staff member of the municipal administration
- No immediate family relationship (husband and wife, mother and father, and children, uncle, aunt, cousin, niece, nephew) to the Mayor or to heads of municipal departments
- Not a high-ranking government official, i.e. member of the Provincial Development Committee
- Not a serving member of the armed forces, police, or judiciary
- No conviction of crimes or pending legal issues, i.e. named in criminal prosecutions or indictments.
- Being committed and competent

#### **3.2. Inauguration Meeting**

The eldest member of the Board chairs the inauguration meeting.

#### **3.3 Resignation, death, illness and or absence of member for more than 2 months**

Whenever one or more municipal advisory board members, including Chairman, Deputy Chairman or Secretary resign, die, and or due to illness become absent for more than two months and do not attend the meetings, new elections will be conducted in the related district or gozar, if MAB elections are more than six months away.

### **Article 4: Internal Structure of Municipal Advisory Boards**

#### **4.1. Board Chairman, Deputy Chairman and Secretary**

In the inauguration meeting, at least 80% of the Board members shall be present. The Board members elect a member of the Board as Chairman, one as Deputy Chairman and another as Secretary. Election is based on simple majority: the candidate with the highest number of votes is elected as Chairman, the candidate with the second highest number of votes will be Deputy Chairman. If there is a tie between the two candidates with the highest number of votes, there will be a run-off election. In case the two candidates receive again the same number of votes, there will be a lottery between the two.

The Secretary will be selected separately by simple majority, as the requirements for this position are different.

Board Chairman, Deputy Chairman and Secretary are elected for one year at the beginning of each service year of the Board.

The Board Chairman has the following responsibilities:

- Chairing the Board meetings
- Speaking for the Board in public and announcing the Board's recommendations
- Representing the Board before the Mayor and the municipal administration and before other governmental and non-governmental institutions and forums
- Determining the dates and setting the agenda of the Board meetings
- Monitoring the implementation of the Board's recommendations.

The Board Deputy Chairman has the following responsibilities:

- Supporting the Chairman in his/her routine tasks
- Performing the Chairman's duties in his/her absence
- Being an active member of the Board.

The Board Secretary has the following responsibilities:

- Filing records and keeping documentation
- Publicly announcing time and location of Board meetings and disseminating the agendas to the public
- Producing and disseminating to the public the minutes of the Board meetings
- Arranging meetings with citizens and the Board or individual Board members
- Ensuring good communication with relevant government and non-government institutions at Municipal, District and Province level.

The municipality will assign one staff member to assist the Board Secretary in his/her duties.

If the Chairman of the Board resigns from or otherwise terminates his/her post, the Deputy Chairman will be acting Board Chairman for one month. The position of Board Chairman will be newly elected within one month, based on simple majority.

If the Deputy Chairman or the Secretary of the Board resign from or otherwise terminate their posts, the Board elects a replacement with simple majority.

## **4.2. Internal Working Committees**

The Board members can form internal technical committees on specific themes, depending on the technical expertise of the Board members. All matters related to inviting technical experts and internal technical committees are regulated in the municipalities' internal policies, which the Municipal Advisory Board has to follow.

## **4.3. Expense Allowances for Municipal Advisory Board Members**

The members of the Board do not receive financial remuneration (no phone cards, no transport costs etc.) for their services until formal elections of Municipal Councils are held.

# **Article 5: Meetings**

## **5.1. Regular Meetings**

The Board meets every two weeks and meetings last for 3 hours maximum. The municipality should provide space for the Board meeting. Additional emergency meetings can be held at any time if requested by at least one third of the Board members or the Mayor.

Meeting agendas are published at least two days in advance. Citizens can make suggestions for agenda items to the Board Secretary.

Meetings are held if the majority (at least 51%) of the Board members attend. Otherwise, the meeting will be rescheduled.

The consent of the majority of Board members is required for the Board to take decisions and make recommendations. When there is an equal vote for and against a recommendation, the Chair shall have the deciding vote.

The meetings of the Board are generally open to the public. Meetings or specific agenda items can only be closed in exceptional cases, including security reasons or to protect the justifiable privacy of a person. The Board decides on closed meetings with a two third majority. If a meeting is closed, the Board will publicly state the reasons.

The Board can request the Mayor or municipal officials to attend the meetings of the Board and to respond to questions. If the required information are not provided, the Board can report to the Provincial Governor.

The Board Secretary will prepare minutes of the meetings, including an attendance list. The minutes and the Board's recommendations are made available to the public and shared with the Mayor and GDMA/IDLG.

The municipality will provide necessary facilities, including office space, furniture and equipment, to the Municipal Advisory Board to ensure its proper functioning.

## **Article 6: Functions and Responsibilities of Municipal Advisory Board**

### **6.1. Citizen Representation**

The Advisory Board has the following responsibilities regarding citizen representation:

- Taking on an advocacy role on behalf of the citizens towards the Mayor and the municipal administration
- Actively promoting an urban and civic culture
- Encouraging the participation of all citizens, including women, youth and marginalized groups in municipal affairs
- Holding public hearings on important issues of public interest
- Supporting information mechanisms from the municipal administration to the citizens to improve transparency and accountability
- Assisting in resolving social disputes between residents of the city.

### **6.2. Citizen Complaints**

The Advisory Board has the following responsibilities regarding citizen complaints:

- Supporting and monitoring the mechanism established by the municipality to hear, follow up on and respond to citizen complaints with respect to municipal affairs
- Referring complaints addressed to the Board to the municipal complaints handling mechanism
- Following up on the complaints and the actions taken to address them.

### **6.3. Monitoring of Municipal Service Delivery**

The Advisory Board has the following responsibilities regarding municipal service delivery:

- Monitoring municipal service delivery and making recommendations for improvement of services, such as solid waste management and cleaning of streets, asphalting of roads and sidewalks and other infrastructure measures, culture and recreation, public parks
- Reviewing and giving advice on the delivery of municipal services to women, children and youth, and vulnerable groups (the poor, the disabled, the elderly and orphans)
- Supporting the municipality in implementing municipal master plans, strategic plans, detailed plans and improvement plans
- Making recommendations for discouraging land usurpation, informal settlements and any illegal construction.

#### **6.4. Review of Municipal Budget, Development Plans and Contracts**

The Advisory Board has the following responsibilities regarding the municipal budget, development plans and contracts:

- Participating in the consultation process to formulate the annual municipal budget and development plans, including public-private partnerships (PPP)
- Facilitating participatory planning and budget formulation by consulting with the citizens
- Reviewing and giving advice on the budget, development plans and PPP
- Monitoring the implementation of the budget, development plans and contracts and making recommendations

If the Board votes to disagree with an annual municipal budget, development plan or PPP contract, it will give its reasons in writing to the Mayor before the documents are signed. If the issue cannot be solved within two weeks, it will be referred to GDMA/IDLG for final decision.

#### **6.5. Review of Municipal Fees and Charges**

The Advisory Board has the following responsibilities regarding municipal fees and charges:

- Reviewing and giving advice on the rates of municipal fees and charges and on rent, lease and sale of municipal properties as well as identifying new sources of municipal revenue
- Encouraging citizens to pay municipal fees and charges
- Giving advice to the Mayor on municipal revenue enhancement that reflects the economic conditions of a community
- Promoting the commitment of the private sector for economic development of the municipality (Public-Private Partnerships).

#### **6.6. Accountability of the Municipal Administration**

The Advisory Board has the following monitoring functions:

- Monitoring the performance of the Mayor and municipal administration and making corrective recommendations
- Examining citizen complaints about the Mayor and other municipal officials
- Reporting and providing evidence on Mayor's non-performance of duties, non-compliance with these Terms of Reference, or misconduct to the Provincial Governor
- If the Provincial Governor cannot solve the issue, it will be referred to GDMA/IDLG

#### **6.7. Municipal By-laws and Regulations**

The Advisory Board may recommend to the Mayor by-laws and regulations applicable to the municipality based on the conditions in the city and in accordance with the effective municipal law.

#### **Article 7: Relationships with GDMA/IDLG and other Government Entities**

The Municipal Advisory Boards provide quarterly activity reports to the Mayor with a copy to GDMA/IDLG.

GDMA/IDLG can revise these Terms of Reference.

The Municipal Advisory Board cooperates closely with other Municipal Advisory Boards, District Councils, Provincial Councils and other institutions regarding municipal matters, including line departments.

#### **Article 8: Suspension of Municipal Advisory Boards**

##### **8.1. State of Emergency**

Municipal Advisory Boards can be temporarily suspended when the state of emergency is announced in the municipality, in the district or province where the municipality is located, or

throughout the country. After the state of emergency has been lifted, the Boards will resume their activities.

### **8.2. Violations of the Terms of Reference**

In the event that a Municipal Advisory Board acts contrary to these Terms of Reference or applicable laws or the Constitution of Afghanistan or provides a threat to public security, the Board can be suspended by the Provincial Governor. Pertinent institutions will investigate the matter and then GDMA/IDLG will take decisions on the re-installment of the Board or the conduct of a new selection process.

### **Article 9: Establishment of Municipal Advisory Boards**

All provincial municipalities will establish Municipal Advisory Boards. Later, selected District Municipalities will also establish Municipal Advisory Boards.

Municipal Advisory Boards are to be established within three months after the dissemination of these Terms of Reference and an official letter sent by GDMA/IDLG to the respective municipalities.

### **Article 10: Entry into Force**

These Terms of Reference enter into force once signed and disseminated by IDLG.

**Annex 3: The form of the questionnaire developed for the Municipal Survey 2013<sup>62</sup>**

**Questionnaire for Municipality Validation**

**Name of Municipality:**

**Province:**

**Date:**

Instructions: Please answer ALL questions. If a question is unclear or requires a more detailed answer, you can attach an additional sheet with further information. Unless specified otherwise, all questions relate to the situation in the year prior to the date of the survey.

**A. General Questions**

- 1) Does the municipality have its own building?  Yes  No
  - a. If yes, please attach a photo of the building.
  - b. If no, which building or office does the municipality use?  
Please attach a photo of that building
  - c. What is the address of the municipal building?
  
- 2) Please indicate the conditions of the municipal offices:
  - a. Mayor's office
 

<input type="checkbox"/> Organized	<input type="checkbox"/> Unorganized	<input type="checkbox"/> Clean	<input type="checkbox"/> Not clean
------------------------------------	--------------------------------------	--------------------------------	------------------------------------
  
  - b. Office of Department directors
 

<input type="checkbox"/> Organized	<input type="checkbox"/> Unorganized	<input type="checkbox"/> Clean	<input type="checkbox"/> Not clean
------------------------------------	--------------------------------------	--------------------------------	------------------------------------
  
  - c. Other office rooms
 

<input type="checkbox"/> Organized	<input type="checkbox"/> Unorganized	<input type="checkbox"/> Clean	<input type="checkbox"/> Not clean
------------------------------------	--------------------------------------	--------------------------------	------------------------------------
  
- 3) Are these offices sufficiently equipped and furnished?
  - a. Mayor's office
 

<input type="checkbox"/> Fully	<input type="checkbox"/> Sufficiently	<input type="checkbox"/> Not Sufficiently	<input type="checkbox"/> Not at all
--------------------------------	---------------------------------------	---	-------------------------------------
  
  - b. Office of Department directors
 

<input type="checkbox"/> Fully	<input type="checkbox"/> Sufficiently	<input type="checkbox"/> Not Sufficiently	<input type="checkbox"/> Not at all
--------------------------------	---------------------------------------	---	-------------------------------------
  
  - c. Other office rooms
 

<input type="checkbox"/> Fully	<input type="checkbox"/> Sufficiently	<input type="checkbox"/> Not Sufficiently	<input type="checkbox"/> Not at all
--------------------------------	---------------------------------------	---	-------------------------------------
  
- 4) Does the municipality have electricity?  Yes  No

<sup>62</sup> TBFO 2013.

If yes, by which source?  City power  Generator  Other

5) Does the municipality have an internet connection?  Yes  No

6) Does the municipal administration use computers?  Yes  No

If yes, how many functioning computers are available? \_\_\_\_\_

7) Which of these facilities does the municipal building have and in what condition are they?

a. Security  Compound wall  Armed guards  Unarmed guards

b. Kitchen

c. Prayer room  For men  for women

d. Bathroom  For men  for women

8) Does municipality have districts (Nahias)?  Yes  No

a. If yes, how many districts does the municipality have? \_\_\_\_\_

9) How many of the districts have operational offices? Please attach photos of the buildings and offices.

10) Are these offices sufficiently equipped and furnished?

Fully  Sufficiently  Not Sufficiently  Not at all

11) Has the area of the municipality, its boundaries and the districts been defined?

Yes  No

If yes, please provide a map.

12) Has a survey been conducted in the municipality to determine the number of inhabitants?

Yes  No

If yes, what is the total number of inhabitants in the municipality and what was the year of the survey?

## B. Tashkeel and Capacity

13. Does the municipality have a mayor?  Yes  No

a. Mayor's name

b. Contact details (telephone, address, email)

c. Photo of the mayor

14. Who appointed him/her?  IDLG  Governor  other (specify)

15. How long has he/she been in office?

16. What is his/her education level?

17. What is his/her previous work experience?

18. What is his/her standing in the community?

- 19.** Does the municipality have an organogram (Tashkeel) that has been approved by GDMA/IDLG?  Yes  No  
If yes, please attach a sketch of this Tashkeel.
- 20.** What is the total number of Tashkeel positions?
- 21.** How many of the Tashkeel positions are filled?
- 22.** What is the number of staff members on payroll?
- 23.** What are the grades of the staff members on payroll?
- 24.** Did the municipality hire any consultants or does it have staff members embedded by international partners?
- 25.** If yes, please specify number and positions.  Yes  No
- 26.** Who recruited and appointed the municipal staff members?  
 Regular  Contracted  Consultant
- 27.** How many staff members have approved documents to show that they have been officially recruited?
- 28.** Is there an attendance book for municipal staff?
- 29.** How many staff members sign in their attendance in this book?
- 30.** Is there a Human Resources Department in the municipal Tashkeel?  Yes  No  
If not, which other staff member is responsible for Human Resource issues?
- 31.** Are there personal records for each staff member?  Yes  No  
If yes, please bring a copy.
- 32.** What are the levels of qualification of the staff members (only government employees)?  
No. of staff with Master's degree \_\_\_\_\_,  
Bachelor's degree \_\_\_\_\_,  
High School degree \_\_\_\_\_,  
Less than 10 grades \_\_\_\_\_,  
Illiterate \_\_\_\_\_,
- 33.** What is the work experience of the staff members?  
No. of staff with 30 or more \_\_\_\_\_,  
10 or more \_\_\_\_\_,  
5 or more \_\_\_\_\_,  
1 to 5 years of work experience \_\_\_\_\_,
- 34.** How many staff members are computer literate?
- 35.** Does the municipality have a capacity building plan or strategy?

Please attach a list of trainings provided to the mayor and the staff members in the past year and include the following information: Title of training, on-the-job or seminar, duration, number of staff members trained, implementer of training.

**36.** Did the mayor attend any exposure visits?  Yes  No  
If yes, please specify the destination and objective of the trip.

**37.** Did any of the staff members attend exposure visits?  Yes  No  
If yes, please specify the destination and objective of the trip.

### C. Service Delivery and Infrastructure

**38.** Does the municipality have a Strategic Plan?  Yes  No  
If yes, does it have a detailed work plan to implement the Strategic Plan?  
If no, which actions were taken by the mayor to demand a Strategic Plan?

**39.** What percentage of the work plan is implemented?

**40.** What has the municipality done to raise public awareness about the Strategic Plan?

**41.** What percentage of land in the municipality are residential areas?

**42.** What percentage of land in the municipality are commercial areas?

**43.** What percentage of land in the municipality are unplanned areas?

**44.** How much land is considered for city expansion and development?

**45.** Is there an addressing system with street names and house numbers?

All districts officially covered  Some districts officially covered  
 Mostly unofficial addressing

**46.** How many km of road does the municipality have?  
asphalted \_\_\_\_\_ gravel \_\_\_\_\_ sand \_\_\_\_\_

**47.** How many km of sidewalk does the municipality have? paved \_\_\_\_\_  
unpaved \_\_\_\_\_

**48.** Are there street lights?  Yes  No  
If yes, how many?

**49.** How many culverts does the municipality have?

**50.** What is the condition of the canalization system?

**51.** How many km of drainage does the municipality have?

**52.** How many markets does the municipality have?

**53.** How many slaughterhouses does the municipality have?

**54.** Does the municipality have a cold storage area?  Yes  No

**55.** How many parking lots does the municipality have?

**56.** How many public latrines does the municipality have?

**57.** Does the municipality have a solid waste system in place?  Yes  No

**58.** How often is solid waste collected in each street?

**59.** Where is the solid waste deposited?

**60.** Does the municipality regularly clean the streets and canals?  Yes  No

If yes, how often?

**61.** Are there public garbage bins?  Yes  No

**62.** Does the municipality remove snow in the winter?  Yes  Partly  No

**63.** What is overall appearance of the city in terms of street cleaning?

Very clean  Somewhat clean  Very dirty  Illegal dump sites

**64.** How many parks does the municipality have?

**65.** Are these parks used by the citizens for recreation?

**66.** Are there greening activities conducted by the municipality?

**67.** List the number and condition of equipment and tools that the municipality has:

a. Heavy-duty vehicles (loaders and trucks)  
 Good condition  Bad condition  Not functioning

b. Other vehicles (cars, tractors, busses, Zaranj)  
 Good condition  Bad condition  Not functioning

c. Carts  
 Good condition  Bad condition  Not functioning

d. Shovels and brooms  
 Good condition  Bad condition  Not functioning

e. Other (please specify)  
 Good condition  Bad condition  Not functioning

**68.** Are there any public-private partnership projects in the municipality?  Yes  No  
If yes, please give details.

#### D. Revenue and Finances

**69.** Has the municipal budget for the current financial year been approved by GDMA/IDLG?

Yes  No

If yes, what was the approved budget?

If not, does the municipality have resources to cover operational costs and fund projects?

**70.** Which are the active revenue sources?

- 71.** Which are potential revenue sources that have not been considered yet?
- 72.** Does the municipality issue business licenses?
- 73.** How many businesses are currently registered?
- 74.** What has been the revenue from the business licenses in the ongoing financial year?
- 75.** Does the municipality collect Safayee?  Yes  No  
If yes, how many households pay Safayee?
- 76.** What has been the revenue from the Safayee in the ongoing financial year?
- 77.** What is the total amount of pending dues?
- 78.** What actions were taken to recover those dues?
- 79.** Which assets and properties does the municipality own?
- 80.** What is the estimated overall value of these assets and properties?
- 81.** Which share of the municipal properties is leased?
- 82.** Is the lease based on current market rates?  Yes  No
- 83.** Which financial management systems are in place?
- 84.** Are computerized systems being used?
- 85.** Who authorizes expenditures?
- 86.** Which bank accounts does the municipality have?
- 87.** Who has the authority to sign the bank checkbook to withdraw money from the bank?
- 88.** Is there an internal controlling mechanism in place for revenue administration?
- 89.** How is ensured that municipal fees, charges and revenues collected are not used for private gain?
- 90.** What general transparency and accountability measures are taken by the municipality to minimize corruption and misuse of funds?
- 91.** What actions were taken by the municipality to create a positive competition amongst the businesses in the municipality to provide goods, services and consumable items?
- 92.** What actions were taken by the municipality to control the quality of the imported goods and consumable items in the market?

## E. Public Outreach

- 93.** Does the municipality organize community gatherings?  Yes  No  
If yes, how often?

**94.** What are some of the topics discussed at those public gatherings?

**95.** Does the municipality hold consultation workshops with specific groups of society?

Yes  No

If yes, which groups are consulted?

Women  Youth  Business representatives and engineers

Religious authorities  Community representatives  Others

**96.** What are some of the topics discussed at those consultation workshops?

**97.** Is there a permanent citizen representation body?  Yes  No

If yes, How often does that meet?

**98.** Who is a member of that citizen representation body?

**99.** Is the municipality aware of the GDMA Terms of Reference for Municipal Advisory Boards?

Yes  No

If yes, is it implementing them?

**100.** What are challenges in the functioning of the Municipal Advisory Boards?

**101.** Does the municipality have a community hall or community center?  Yes  No

If yes, Which activities are taking place in the community hall or community center?

**102.** How can citizens address the mayor and the municipality?

**103.** Does the municipality have complaints handling procedures in place?

**104.** Is there a Customer Service section?

**105.** Does the municipality building have facilities for visitors?  Yes  No

If yes, which facilities?  Waiting room  Prayer room  
 Bathrooms for men and women  Others \_\_\_\_\_

**106.** Is there a standard phone number for citizen inquiries?  Yes  No

**107.** Does the municipality have any specific awareness programs?  Yes  No

If yes, please specify. \_\_\_\_\_

**108.** Does the mayor make public appearances on radio and TV?

**109.** Are there public notice boards displaying information on the municipality?

**110.** Does the municipality have a website?  Yes  No

If yes,  Approved by GDMA  Not approved by GDMA

**111.** Does the municipality publish a magazine and/or newsletter?  Yes  No

If yes, how often is it published?

**112.** Does the municipality publish brochures and flyers?  Yes  No  
If yes, on which topics?

**113.** Which projects and activities does the municipality offer specifically for marginalized groups?

- a. Women:
- b. Youth:
- c. Disabled:
- d. Orphans:
- e. Other groups:

**114.** Which other community engagement activities does the municipality organize?

# **FOURTH AEITI REPORT**

## **APPENDIX 10.6**

**Municipal Law, 2000**

**EMBLEM**  
**ISLAMIC EMIRATE OF AFGHANISTAN**  
**OFFICIAL GAZETTE**  
**PROPRIETOR: MINISTRY OF JUSTICE**  
**DATE OF PUBLICATION: 10TH RAJAB AL-MURAJJAB, 1421 L.H.**  
**(October 07, 2000)**

**MUNICIPAL LAW**  
**CHAPTER 1**  
**GENERAL PROVISIONS**

**Article 1:**

The present law has been enacted to regulate *modus operandi* of the municipalities and that of their respective district branches.

**Article 2:**

Being a public legal and juristic entity the Municipality through the fulfillment of its respective obligations, shall provide for the general needs of the urban populations in accordance with the provisions of the present law and other legal instruments.

**Article 3:**

(1) Kabul Municipality is part of the Emirate (State) organizational structure and shall fulfill its obligations and exercise its powers within bounds of the present law.

(2) Provincial municipalities as part of local administration shall perform their activities under the ministry of interior and within limits of the provisions of the present law.

**Article 4:**

Through the competent authorities municipalities may establish mutual relationships with municipal corporations of foreign countries in accordance with the provisions of the Islamic *Shari‘ah*.

**Article 5:**

- (1) Within the scope of their operations, the municipalities shall be in possession of their respective urban master plans.
- (2) The departments of Central Engineering and Urban Planning as well as their relevant branches shall prepare and modify master plans in cooperation and consultation with the municipalities and shall be implemented by the municipality after being confirmed by the Council of Ministers and approved by the head of the Islamic Emirate of Afghanistan.
- (3) Responsibility to supervise implementation of the master plan shall rest with the master plan designing department as well as with the concerned municipality.

**Article 6:**

The Kabul mayor shall be appointed by the head of the Emirate in accordance with the provisions of law.

## **CHAPTER 2 ORGANIZATION**

**Article 7:**

Municipalities shall be established in the centers of local administrative units (provinces and districts) with due regard to the following conditions:

- 1- In the center of administrative units having a population of more than 5000 people.
- 2- In the center of an administrative unit where implementation of urban master plan is feasible.

**Article 8:**

- (1) The Kabul mayor, deputy mayor (s), heads of departments, administrative council, central departments and district chiefs shall be appointed in accordance with the provisions of law.
- (2) The municipal administrative council shall comprise the mayor (as chairman), deputy mayors and heads of departments and shall be set up based on the recommendations of the municipality and approval by the council of ministers.

**Article 9:**

Other municipalities shall be established and shall function in accordance with the approved organizational structure as well as in accordance with the provisions of law.

## CHAPTER 3 FINANCIAL AFFAIRS

### Article 10:

The organizational structure and budget of the municipality shall be prepared by the mayor, confirmed by the administrative council and after being reviewed by the ministry of finance shall be reflected in the Emirate budget in accordance with the provisions of law and shall be submitted to the council of ministers for completion of formalities.

### Article 11:

Budget of the municipalities shall consist of ordinary and development components and its expenditures shall be defrayed from revenues being collected as follow:

1. Ordinary budget shall be financed from the (45) per cent of fixed revenues of the municipality, and if impossible, shall be offset from the remainder (55) per cent of the fixed and non-fixed revenues in agreement with the ministry of finance.
- 2- Development budget shall be financed from the remainder (55) per cent of the fixed and non-fixed revenues as well as from the municipality's assets deposited with the bank.

Under exceptional circumstances where the development plan could not be implemented out of the municipality funds, financial assistance shall be provided from the Emirate development budget.

### Article 12:

(1) Municipal revenues shall belong to the municipality, and as such, it shall adjust its expenditures to the approved budget taking into consideration the revenues being collected.

(2) Revenues accruing from the entire municipal resources shall be deposited into the special municipality account with the bank.

### Article 13:

Where one of the administrative or construction projects is transferred to the municipality, the financial allocation and budget of the transferred project shall also be transferred into its budget.

#### **Article 14:**

Under emergency circumstances municipality's reserve funds being deposited with the bank can be spent upon approval by the administrative council of the municipality, agreement by the ministry of finance and confirmation by the council of ministers in accordance with the provisions of the enforced laws.

#### **Article 15:**

Where the municipal revenues do not suffice to meet the expenditures of its ordinary budget for two succeeding years the issue shall be referred to the head of the Emirate after being approved by the administrative council and recommended by the ministry of finance.

### **CHAPTER 4 OBLIGATIONS & POWERS**

Municipalities and district branches thereof have their respective obligations and powers as given below:

- 1-Adopt measures for ensuring means of livelihood for the residents living in the respective area.
- 2- Adopt measures for construction and maintenance of wells, *kariz* (subterranean irrigation canals, ponds, and potable water reservoirs by the relevant sources.
- 3- Adopt measures for the protection and creation of urban green spaces and ensuring cleanliness and sanitation in the relevant areas, as well as for the protection of bio-environment.
- 4- Adopt measures for construction of roads, playgrounds, public bathhouses, emporiums, markets and cultural and civic centers through the engagement of private investment in areas under planning to the extent possible.
- 5- Valuate residential houses according to rules and regulations.
- 6- Fix rental of municipal properties in accordance with the law provision.
- 7- Adopt measures for inspecting sanitary conditions in bathhouses, restaurants, guesthouses, samovars, swimming pools, public halls and other food shops in cooperation with the concerned departments.
- 8- Adopt measures to ensure cooperation with health institutions in the implementation of measures intended to prevent the outbreak of diseases and to protect the bio-environment.

- 9- Adopt measures for allotment of land-plots for the construction of residential houses and commercial sites in accordance with the relevant law provision.
- 10- Expropriate land in accordance with the provisions of the land expropriation law.
11. Adopt measures for taking part in the construction of residential centers, maintenance of roads, streets and residential areas.
- 12- Adopt measures for a sound expansion of the fleet of city transportation means by the relevant department.
- 13- Adopt measures for providing assistance in foodstuffs supply and distribution.
- 14- Control prices and measuring appliances, regulate and universalize the metric system in relevant area.
- 15- Adopt measures for providing assistance in promoting sports and physical training in accordance with the Islamic morality.
- 16- Attract voluntary cooperation of the residents in carrying out sanitational activities, creating green spaces and in delivering other useful urban services.
- 17- Adopt measures for providing assistance in preservation, maintenance and restoration of historical and cultural relics through attracting cooperation of the relevant departments.
- 18- Adopt measures for providing assistance in collecting data on demographic statistics.
- 19- Collect municipal charges in accordance with the provisions of law.
- 20- Adopt measures for providing effective cooperation in illiteracy eradication , improvement in the general educational and cultural levels, vocational training of the people, development of social services network, general educational and vocational schools and libraries in the relevant area through the concerned department and with due regard to the Islamic standards.
- 21- Pass bills in due consideration of the provisions of the present law.
- 22- Steer subordinate departments and sections.
- 23- Call and hold sessions in connection with utilities of the relevant town.
- 24- Organize implementation of budgetary as well as annual revenues and expenditures plans and adopt measures to economize expenditures.
- 25- Supervise execution of decisions adopted by the administrative council.

- 26- Express views regarding structures of the establishments of the traffic department in city area.
- 27- Determine the location of slaughterhouse, regulate and supervise butchery-related sanitational affairs.
- 28- Distribute price list in accordance with the provisions of the *Shari‘ah*.
- 29- Review terms and conditions of affidavits, contracts and leases regarding municipal properties.
- 30- Construct, repair and cleanse public streams and ditches in towns.
- 31- Regulate receiving visitors and settle grievances of the residents in a just and timely manner as well as supervise implementation of the decisions within their respective scope of powers.
- 32- Provide assistance in meeting primary and emergency social and economic needs of the local residents in cooperation with the respective bodies.
- 33- Allocate burying grounds for interment of the dead (graveyards).
- 34- Adopt measures for organizing free of charge obsequies of the unidentifiable and heirless dead with the cooperation of the Red Crescent.
- 35- Take decision regarding demolition of building at the end of their useful life based on the recommendation of the technical committee.
- 36- Accept aid, gifts and grants on behalf of the municipality and registration thereof in the books.
- 37- Prevent arbitrary construction of buildings with the help of security authorities of the relevant area.
- 38- Grant trade licenses to various guilds in the city.
- 39- Grant work permits to the janitorial staff of foreign institutions.
- 40- Collect and record correct data on weddings, births, deaths and changes in dwelling places and submit the report thereon to the relevant authorities.
- 41- Earnestly implement the price list.
- 42- Provide assistance in consolidating lawfulness, ensuring security, social order and tranquility of the society.

43- Provide assistance in defending legal interests of the local residents.

44- Render all-sided cooperation in building the society and consolidation of Islamic sovereignty.

## **CHAPTER 5 FINAL PROVISIONS**

### **Article 17:**

Institutions, departments, senior government officials and residents living in the areas under their respective municipality or municipal precinct shall be obligated to implement the decisions taken by the administrative council of the municipality in relation to issues within the scope of their powers.

### **Article 18:**

Changes in names of towns and areas shall take place upon recommendations of the municipality, confirmation by the council of ministers and approval by the head of the Emirate.

### **Article 19:**

Municipality may grant letters of appreciation to those tradesmen and craftsmen who demonstrate good and Islamic behavior and perform their duties vis-à-vis their fellow citizens in a better way.

### **Article 20:**

Police, educational, city transport, water & power supply, urban development, housing and all other relevant departments shall render their cooperation to the respective municipality in implementing the city master plan and other public utilities and shall pave the way for the implementation of its plans.

### **Article 21:**

Representative of guilds shall be appointed in understanding and agreement with the mayor and the relevant guilds.

### **Article 22:**

The authority to implement and exercise control over the budget shall rest with the mayor.

**Article 23:**

The mayor can delegate his powers to the deputies.

Article 24: The mayors of district municipalities and chiefs of precinct branches shall forecast annual revenues of their respective areas and shall send their forecasts to their respective central municipality for budget preparation.

**Article 24:**

The present law shall become into effect beginning with the date on which it is passed and shall be published in the official gazette and shall supersede the municipal law and the amendments thereof published in the official gazette, dated 15/10/1369 (05/01/1991).

# FOURTH AEITI REPORT

## APPENDIX 10.7

**Press reports on gemstone sector**

## Source:

<http://mines.pajhwok.com/news/panjsher-emerald-mine-state-neglect>

### Panjsher emerald mine in a state of neglect

Category:  
Gemstones



KABUL (Pajhwok): Central Panjsher province has enormous gemstone reserves, but official's apathy and illegal extraction has put the national wealth at risk, Pajhwok reliably learnt on Tuesday. Mine and Petroleum Department officials allege most of the mining activity was done in violation of rules and regulations.

According to M&P Department officials, bulk of the mineral is extracted illegally. Abdul Bari Rahimi, director of the department, told Pajhwok Afghan News so far no company had been granted the contract to extract minerals in the northeastern province.

Emerald, one of the most precious gemstones in the world, is found in abundance in Panjsher. A recent survey by the Oxford University revealed alongside emerald, silver is also available here.

The Mining and Petroleum Department claimed huge reserves of coal, aquamarine, amethyst and lapis lazuli were another asset and the reason to hope for foreign investment in the sector would boost the national economy.

According to the Ministry of Mines and Petroleum (MoMP), the National Survey of Mines, emerald deposits were discovered here in the 1977. Abdul Bari Rahimi said an official contract for emerald exploration would be awarded soon to a successful bidder.

The contract would cover an area of about 200 square meters, he said, stressing the agreement would be aimed to assess the deposits, their quality and other technical matters.

Lamenting the illegal extraction by locals, Rahimi said the use of dynamites and other illegal means was causing an immense loss to the economy and the deposits themselves. And that was why foreign and Afghan companies were reluctant to invest in the mining sector, the director argued.

Stopping illegal extraction of emerald in Panjsher was beyond their capacity, he confessed. Lack of understanding and coordination between the provincial department and the ministry is seen as another major obstacle.

Meanwhile, Governor Abdul Rehman Kabiri rejected the claims by Director of Mines Rahimi. He noted former mines minister Shahrani had inspected the site. "How can one call it illegal when the department is receiving royalty?" he questioned.

In an exclusive interview with PAN, the governor blamed the ministry for not granting anyone the extraction contract. Hitting out at the director of mines, Kabiri believed no one would evince any interest -- no matter how eagerly the department sought an extraction contract.

Defending the limited use of dynamites, the governor claimed the amount of explosives was not threatening enough to warrant police intervention. He, however, agreed the precious wealth would not be wasted if professional people were issued licences. Kabiri claimed influential people were involved in illegal extraction.

Zaheer Sadat, Panjsher representative in the parliament, did not repudiate illegal mining in the picturesque valley. Sadat said he too had asked MoMP to explain the issue.

<http://mines.pajhwok.com/news/seized-azure-truckloads-ordered-moved-kabul>

## Seized azure truckloads ordered moved to Kabul

Category:  
Gemstones



KABUL (Pajhwok): The National Security Council (NSC) has directed local officials in northeastern Badakhshan province to move to Kabul for taxation the 64 trucks they had seized ferrying illegally extracted azure.

Badakhshan officials on Sunday said they had seized trucks carrying azure worth 1 billion afs, blaming the smuggling attempt on some influential persons.

The Presidential Palace said the decision came at the NSC meeting chaired by President Mohammad Ashraf Ghani on Wednesday evening.

The Ministry of Interior was also directed to draw plans curbing smuggling of the precious stone, the palace said in a statement.

## Source:

<http://mines.pajhwok.com/news/azure-worth-1b-afs-seized-badakhshan>

### Azure worth 1b afs seized in Badakhshan

Category:  
Gemstones



FAIZABAD (Pajhwok): Security officials claim they have seized 65 trucks ferrying illegally extracted azure in northeastern Badakhshan province, blaming the smuggling on influential individuals.

Local officials say azure is extracted from a mine located in Keran wa Menjan district and smuggled by trucks to Faizabad, the provincial capital.

Deputy Governor Gul Mohammad Baidar told Pajhwok Afghan News the National Security Council (NSC) last month ordered canceling the contract awarded to Lajawardin Company and stopping the extraction of azure.

The azure in Badakhshan is known globally for its high quality. Lapis lazuli takes an excellent polish and can be made into jewelry, carvings, boxes, mosaics, ornaments, and vases.

Hidayatullah Hakimi, the head of a stone processing company in Badakhshan, said the 65 trucks loaded with azure stones were stopped in compliance with orders from the president. He had purchased one the truckloads.

He said security officials also ordered their shops to be closed. He said 50 women working in the shops would lose their jobs if they were not allowed to reopen them.

About the value of azure, Hakimi said average price of seven kilograms of the stone was 5,000 afghanis. With that price, the 65 truckloads valued around a billion afghanis.

"We are planning to go to Kabul and talk to the ministry of mines officials to give us back the azure. We will lodge our complaint with the president as well," he said.

Nasruddin Dawari, a worker in the stone processing company, said their business markedly diminished after the government seized the azure trucks. He said their company would shut if they could not find raw material.

Referring to azure mining, the deputy governor said illegal commanders, including Abdul Malik and Mohammad Sharif, partially controlled the deposits since a year. He said the commanders and their men were extracting the precious stone in a nonprofessional way.

About a month ago, Abdul Zahir Mujaddedi, the police chief for Yamgan district, tried to retake control of the Keran wa Menjan mine but he lost five police personnel to a fight with Commander Abdul Malik.

Mohammad Akbar Noori, mines and petroleum director, said they had stopped receiving tax from trucks carrying azure stones after the president suspended contract with the Lajawardin extraction company.

He said the company won the contract three years ago but faced problems after illegal commanders attacked it. Noori said a private firm made expensive jewelry from the stone and exported some of them to Kabul for processing.

Local commanders buy guns and ammunitions with income from these mines. Some 3,000 illegal gunmen surround the mines. Up to a 40 percent of the income goes to the Taliban based in the Jurm district.

"Security officials have gathered information and have referred the case to the Presidential Palace," the director said.

Deputy Governor Baidar said: "The Taliban get around a 40 percent of the income. Now they are in total control of Khostak locality of Jurm."

He added some 135 families of militants hailing from Tajikistan, Uzbekistan, Chechnya and Pakistan had a strong presence in the area and security could not be improved with clearing operations last month.

Baidar called for immediate measures to clear the area from fighters. "Many times, we have referred the matter to the National Security Council and the Presidential Palace. They say the districts are remote and a ground offensive will inflict more casualties on security forces. Now we await foreign air support."

A contract for extraction of the stone was awarded to a local mining company 15 years back, but local officials say a part of the mines is controlled by Commander Abdul Malik.

The deposits in Badakhshan are estimated to hold around 1,290 tonnes of azurite. Afghanistan produces around five to ten tonnes of the precious stone annually and a major portion of it is exported to neighboring countries.

Local officials say they are worried about illegal extraction of gold in the Raghistan district.

The deputy governor said six people were killed in a fight to gain control over the gold mines last month and security forces had detained eight people in connection with the incident.

According to him, currently 3,000 people were busy searching for gold in the area and a 50 percent of the income went to the Taliban.

"We ordered the police to prevent this illegal mining. The mines department should reach an agreement with the people and the digging should take place under government supervision," he added.

Abdul Wadood from Raghistan district said local people's only source of income was gold and they earned two to three thousands afs a day.

He claimed if the government cut this source, they would be unable to find another income source and as a result, fighting in the area would escalate.

# FOURTH AEITI REPORT

## APPENDIX 10.8

**Report on AEITI Mission to provinces in November 2014**



## ISLAMIC REPUBLIC OF AFGHANISTAN MINISTRY OF FINANCE

### AFGHANISTAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE



### REPORT ON PROVINCIAL EXTRACTIVE INDUSTRIES' TAX AND NON-TAX REVENUES COLLECTION

**SUPPORTED BY:**

**SUSTINABLE DEVELOPMENT OF NATURAL RESOURCES PROJECT,  
WORLD BANK**

**MINISTRY OF MINES AND PETROLEUM**

**NOVEMBER, 2014**

## **THE AEITI MISSION VISITED THE FOLLOWING KEY PROVINCES OF THE COUNTRY:**

1. BAGHLAN PROVINCE
2. SAMANGAN PROVINCE
3. BALKH PROVINCE
4. BADAKHSHAN PROVINCE
5. HEERAT PROVINCE
6. JALAL ABAD CAPITAL OF NANGARHAR PROVINCE

### **The Mission included:**

1. ABDUL RAHMAN “ FARHAN”, ADMINISTRATIVE MANAGER OF AEITI
2. ENG. GHULAM SEDIQ, REVENUE COLLECTION OFFICER OF KADESTAR DEPARTMENT OF MINISTRY OF MINES AND PETROLUIM (Member of MSG)
3. ABDUL RAHMAN “ ZERGI”, ADMINISTRATIVE ASSISTANT OF AEITI

## **BACKGROUND:**

This report discloses the final tax and non-tax revenue of extractive industries of the major provinces of the country; covering the entire revenue information of extractive industries on provincial level. This provincial trip was aimed at meeting the government entities (Ministry of Finance & Ministry of Mines and Petroleum), to aware them on AEITI process in Afghanistan, and also together information about the revenues of extractive industries and the obstacles faced during revenue collection.

Taking into consideration the deadline for preparing the fourth Reconciliation Report as of mid-march, 2015, with possibility extension the AEITI Multi Stakeholder Group agreed in MSG meeting to produce a quality report and cover most of extractive companies on provincial level, therefore the MSG formed a delegation consisting of senior staff of the Ministry of Mines and Petroleum (MOMP) along with AEITI team to visit major provinces of the country and to aware the local officials on the upcoming fourth reconciliation report covering the Afghan fiscal year 1391.

The overall objective of this mission was to inform the provincial directorates (Mastofiats) of the Ministry of Finance (MOF) and Ministry of Mines & Petroleum (MOMP) on AEITI; to involve them on this initiative, and to collect basic data for fixing a threshold for fourth reconciliation report.

During this mission meetings with relevant departments were held in order to collect relevant information and to prepare necessary documentation to define a threshold for the fourth reconciliation report.

The information collected during this visit is to be sufficient and appropriate for providing a basic for fixing the threshold.

## **1- Baghlan Province:**

Baghlan is one of the thirty-four provinces of Afghanistan. It is in the north of the country. Its capital is Puli Khumri.

Baghlan province is mainly agricultural, with irrigation provided by the rivers and sugar beets and cotton being the major crops;. An important industry is sugar production, which was started in 1940 with technical from Czech industrialist. Coal is extracted in the Karkar Valley near Pul – i- Khumri, and a silk industry was begun in 1951.

### **Pul-i- Khumri Mastofiat:**

In its meeting with the local directorate (Mastofiat), Mr. Abdul Rahman “Farhan” briefed Mr. Sayed Basir Ahmad, Mastofie (MoF provincial director) of Puli Khumri and his senior team on AEITI initiative and its benefits to the people of Afghanistan, its government; the structure and framework of AEITI, the involvement of Civil Society, Private Sector and the Government and their responsibility to this initiative was also explained to them in detail.



Mr. Basir( the Mastofie) extended a warm welcome to the mission and showed his interest in the initiative and said that he and his team were fully supportive to the process and will provide all extractive revenue related data to AEITI.

Mr. Basir discussed the current situation of extractive sector in Afghanistan, citing that it was very weak; he said that there was a lack of technical knowledge and poor coordination among extractive industries and government, lack of coordination among Mastofiats (MoF provincial directorate) and provincial directorate of MoMP.

During the visit the mission met Mastofiat employees and discussed revenue streams of taxes, which they were collecting from Extractive companies and the financial systems within the Mastofiat. The local financial team was not aware of any tax revenues of extractive companies and only had knowledge of non-tax revenues, which is reported by the MOMP directorate. Mastofiat are using very basic financial systems and only have three desktop computers at AFMIS department with no Internet connectivity. They said that they had requested MoF to activate SIGTAS system but were still waiting for a positive response from MOF revenue department.

### **Pul-i-Khomri MOMP Directorate:**

The mission was welcomed by the office of Mr. Eng. Shah Mahmood "Fizad", the director of the Ministry of Mines and Petroleum (MOMP) directorate in Puli Khomri. They were briefed on objectives and aims of AEITI.

Mr. Eng. Fizad lauded AEITI and said that it was a good initiative that will bring transparency in extractive revenue sector and would strengthen the government's system within

Mr. Eng Fizad said that the directorate was newly established and was only dealing with small mining contracts, which were awarded through the directorate, and subsequently collects revenues from them and submit it to Pul-i-Khomri Mastofiat. Regarding the other big contracts, he said that they are awarded in Kabul to extractive companies and subsequently report to the Cadaster department of MoMP. He said that the total non-tax revenues, which were, collected through their directorate in 1391 was **302,940** Afghani and was reported to Mastofiat and MOMP provincial directorate.

### **Northern Coal Enterprise (NCE), State Owned Enterprise Company in Pul-i-Khomri:**

The mission met with the head of NCE; after a brief introduction about AEITI; he expressed his full commitment to the initiative and said that the future of Afghanistan were its extractive resources and which were a key to development and improving the current economic situation of the country.



Head of Enterprise said that the revenue has increased considerably from last year and added that by the end of the current fiscal year the revenue is expected to boost further.

The officials have cited increase in the number of coal consumers and establishment of local and foreign markets for Afghan coal.

Assessing the financial systems of the NCE, The AEITI mission found that there were no proper financial systems in place and no proper filing system of documents. The NCE is in contact with MoF through MOMP channel and submitted all revenues to MoF except salary withholding taxes, which were submitted to Puli Khomri Mastofiat.

## 2. Samangan:

Samangan is located in northern Afghanistan. The cultivated area is mostly concentrated in the northwestern and southeastern districts near the Samangan River. The province is rich in natural resource including coal, gypsum and other construction materials.

### Samangan Mastofiat:

In their meeting with the Director of Samangan Mastofiat, the AEITI mission gave a brief presentation on AEITI and its implementation process in Afghanistan. The Mastofie reiterated his and his staff's full support to AEITI, and added that indeed AEITI was a better way to avoid corruption within government departments and to bring transparency within extractive sector.



Regarding the collection of tax revenues, he said that the Mastofiat was collecting tax revenue from all companies based in Samangan province but was not aware of any number of companies working in extractive sector and the Mastofiat was only receiving non-tax revenues reports of extractive companies from the MoMP provincial directorate.

### Samangan MOMP Directorate:

Expressing his optimism, The MOMP provincial director said that they were looking forward to bringing transparency in extractive industries sector, which will play an important role in the economy of the country and acknowledged that AEITI can be the tool to strengthen good governance and hoped that the government would remove the obstacles during AEITI implementation in the country.



He added that the provincial directorate was dealing only with small mining contracts and collection of their Non Tax revenues in the province. They then submit a report to Samangan Mastofiat. The total non-tax revenues received during 1391 by the directorate from extractive companies were **1,762,690** Afghanis, which are very small amounts of non-tax revenues. Samangan is extremely rich in coal and gypsum but most of the big contracts are awarded to extractive companies by the MOMP and they report directly to the Cadaster department of MOMP; and the directorate only following up with the contractors.

### **3- Balkh Province:**

Balkh is an agricultural and industrial-based province in northern Afghanistan. The cultivated area is more concentrated in the southern and central districts of the province due to the fertile land found in the Balkh River basin. The administrative capital of the province is Mazar-i- Sharif. The province is extremely rich in Oil and Gas, Coal construction materials and mine.

#### **Mazari Sharif Mastofiat:**

After presenting a short brief to The Mastofie underlined the Mastofiat's role within MoMP directorate and extractive industries and said that it was very weak and there close coordination among those entities didn't exist. Mastofiat was receiving reports on quarterly basis from MOMP directorate regarding extractive industries non-tax revenues; he also mentioned that they didn't have any link with extractive companies regarding tax revenues collection because they were using local labor for daily work and there was no proper system for extractive companies and also the MOMP did not support them in this issue.



#### **Mining Directorate:**

The senior director was familiar with the name of AEITI but was not fully aware of the AEITI vision. He said the future of Afghanistan was mineral, which will play an important role in boosting the economy of the country, and there will be no need for foreign aid in future, as Afghanistan will rely on its natural resources. The AEITI can play an important rule in mining sector especially removing the obstacles that extractive industries is facing during implementation and provide technical course especially in finance sector because the AEITI aim is to bring transparency in extractive revenue sector.

The Mazari Sharif directorate had awarded around 50 small contracts to local extractive companies which were mostly coal mine, construction stone, sand and gypsum while the big contracts of mining were awarded through MOMP and they reported directly to the Cadaster department of MOMP and only the technical team of the directorate were following up with the contractor regarding technical issue and reporting back to the main office. The total revenue received by the directorate from extractive companies in 1391 was **29,536,819** Afghani. Mazar-i-Sharif MoMP Director requested the AEITI to organize awareness programs and trainings for the employees to be full aware of this new initiative and support the AEITI in future

activities.

## **4- Badakhshan Province:**

Badakhshan is a province in northeastern Afghanistan and the administrative capital of this largely mountainous province is Faizabad. The province is extremely rich in mineral resources, including silver, copper, lead and precious stones, particularly lapis lazuli, with Badakhshan being the most important source for this gemstone in Afghanistan.

### **Badakhshan Mastofiat:**

In their meeting with the Director of Badakhshan Mastofiat, the team learned that the provincial directorate wasn't collecting any tax revenue because of the proper and daily wages system. The directorate was only receiving non-tax revenue, which was reported by the MoMP local directorate.

### **Badakhshan MOMP Directorate:**

Explaining the current situation of extractive sector in Badakhshan, The director said that is insecure and the government fails to bring security in the mining areas and most of the mining are extracting by the landlords or by Government opponents and sending it to neighboring countries.. Giving the example of Lajwardin extractive company that government awarded a contract which area is not in control of the government. He said that their regular contact with Ministry of Defense and Ministry of Interior to bring that area in the control of the government also failed.



He said that the MOMP directorate had awarded small mining contracts to local companies, most of which are gemstone mining, specifying that they were reporting on quarter basis to Badakhshan Mastofiat and to main office of MoMP.

## **5- Nangarhar Province:**

Nangarhar is the largest city in eastern Afghanistan and Jalalabad is the capital of Nangarhar province. The Jalalabad is located at the junction of Kabul and Kunar rivers and neighbors with Laghman province and Pakistan's border.

### **Nangarhar Mastofiat:**

After a brief introduction of AEITI and its implementation in the country; the director of the Mastofiat informed the delegation that no tax revenue was being

received by them and only non-tax revenue was collected which was reported by the MoMP directorate; it is also worth-mentioning that the extractive companies list provided by the MoMP wasn't available with the directorate and thus the MoF provincial directorate hadn't any information regarding those companies. It also came into the notice of the delegation that a close coordination between the MoMP and MoF directorate didn't exist in the province.

### **Nangarhar MOMP Directorate:**

The director and his senior team was informed about the AEITI and its role, how it can bring transparency in the sector. They were pleased and appreciated the efforts of the secretariat and the government implementing this initiative in Afghanistan and hoped that it will bring positive changes in the sector. The director brought to the notice of the delegation that security was a big concern and the government had also failed to answer those concerns; further stating that the Extractive companies were compelled to pay both to the Government and some other Government opponents. He recommended that government should implement its strong rights in these areas. He said that the directorate has only awarded only small contracts, which they were controlling and accordingly reporting to the MoF and MoMP.



## **6- Herat Province:**

Herat is an industrial and agricultural based province located in the western half of Afghanistan. Most of the cultivated land is concentrated in the north (70% of total cultivated land) and central districts due to the fertile soil of the Harirod River watershed. Herat is very important commercial market in Afghanistan and is extremely rich in marble, gypsum, gold, iron, oil and gas.

### **Herat Mastofiat:**

The AEITI mission met Mastofie of MOF and his senior team in Herat and explained the AEITI and its structure. They were aware of this new initiative because the AEITI communication team had organized workshop in Herat.

Mr. Farhan explained the purpose of the visit and requested the Mastofie to provide the tax revenue of the extractive companies list, which was provided by the MoMP directorate in Herat, but they said that they don't have any link with these extractive companies and they were not registered with us.

The senior team of Mastofiat stated that they only receive non-tax revenue report of extractive companies from MoMP directorate on quarterly basis but they do not collect any tax revenue from these extractive companies.

### **MOMP Directorate:**

The directorate had the knowledge of AEITI because of the public awareness raising campaign in the province.

This directorate was also awarding small contracts and they were accordingly reporting to MoF and MoMP.

### **Conclusion:**

These provincial trips were carried out in the wake of the development of the threshold for the 4th Reconciliation Report; to know about the number of contracts awarded and the total revenues received, so that to have an idea to set a threshold and cover more extractive companies for the reconciliation report.

During these trips, it was found by the delegation that small contracts are issued by the local directorates of MoMP and other big contracts are awarded by the MoMP itself and they reported directly to MoMP. The provincial directorates were only following up with these extractive companies.

The delegation also raised awareness about AEITI and its implementation in Afghanistan in the provinces covered by the delegation; outreach materials and previous reports generated were also distributed among them.

It came to the knowledge of the delegation that the directorates and the extractive companies were concerned about the security situation in these provinces; which gave rise to illegal mining and also limited the operations and control of these departments and extractive companies. Almost every directorate and extractive company that Government should take proper actions in this regard to curb those elements to paving the way for a favorable investment and transparency in the sector recommended it.

As the directorates in these provinces doesn't have any proper financial systems to manage their as well as companies accounts, it is also recommended to the MoMP and MoF to install these systems within their provincial directorates; so that they can efficiently manage the revenues received from the extractive sector and curb out corruption.

As the coordination between the MoMP and MoF provincial directorates have been founded weak during these visits, it is strongly recommended that MoMP and MoF to work on building strong coordination; the MoMP should share their information regarding the extractive companies with the MoF so that MoF provincial directorates (Mastofiats) can collect the tax revenues from these extractive companies.

It was found during this mission that the provincial directorates (Mastofiats) of MoF wasn't collecting any tax revenue from the extractive companies, which amounts to millions of Afs; these finding were shared by the AEITI secretariat with the concerned authorities at MoF, based on which these authorities officially informed their local directorates to collect these revenues which is a big achievement for AEITI, its MSG and the citizens of Afghanistan. The AEITI will need strong Government support especially from MoF to collect tax revenue from all these extractive companies before finalizing the 4th Reconciliation Report covering 1390 Afghan fiscal year

# FOURTH AEITI REPORT

## APPENDIX 10.9

**AEITI Report on missing revenue streams from the  
extractive sector**

### **Missing Revenue Streams from Extractive Sector:**

There are certain revenue streams that are not being paid by the extractive industry companies. Companies that are operating in Afghanistan especially those stationed in the provinces are currently only held liable to pay Royalties to the Ministry of Mining and Petroleum, while on the contrary according to the tax law of Afghanistan, any company working in Afghanistan is liable to pay the relevant taxes to Ministry of Finance.

Companies that are working in extractive industries are currently not paying the tax, ultimately, a large amount of revenue is missing from the Extractive Sector. For example, a national Extractive company is awarded with a contract of Talc extracting 120,000 Tons in 606 AFN per ton by Ministry of Mines and Petroleum and has extracted 57739.92 tons of Talc in a fiscal year, the company will have to pay 34990391.52 AFN as Royalties to the Ministry of Mines and Petroleum. On the basis of the market, average sales rate for the Talc is 800 AFN, hence the company's income will be 46,191,936 AFN with a gross income of approximately 11,201,544.48 AFN, after paying its Royalties to the MoMP. If we estimate the margin of the company at lowest and calculate 10% of the gross income as net income although the average margin rate is 20%, the sum of income tax and BRT will be 1,344,185.34 AFN for a single company in one fiscal year. While there are a large number of companies working in the extractive sector unfortunately Ministry of Mining and Petroleum does not possess the actual number of companies working in extractive sector, nonetheless based on AEITI findings in 6 provinces that were covered by AEITI team which are Nangarhar, Baghlan, Samangan, Balkh, Badakhshan and Herat, there are a total of 329<sup>1</sup> companies operating, and these taxes are not been paid for the last decade or more. If the given amount is generalized for the other resources over all of the provinces and calculated for at least 800<sup>2</sup> active companies in order to be on safe side, the total missing revenue will be more than 10 Billion Afghanis. Details are provided in the following table.

Ministry of Mines & Petroleum - Non-Tax Revenue <sup>3</sup>					
Extractive Company	Year	Awarded Contract in Tons	Price per Ton in AFN	Extraction in 1391	Royalties paid to MoMP
Talc Extraction Company	1391	120,000	606	57,739.92	34,990,391.52
Year	Current Market rate for Talc	Gross Income of Company		Gross Income of Company after Payment of Royalties	Net Income with 10% Margin
1391	800	46,191,936.00		11,201,544.48	1120154.448

Ministry of Finance - Tax Revenue (Unpaid) <sup>4</sup>									
Income Tax 10% for 1391	Estimated Income Tax for two years 1392-1393	2% BRT	Salary Tax	Rent Tax	Contract Tax	Dividends	Penalties	Fixed Tax	Total
1,120,154.45	2,240,308.90	224,030.89	Not Paid	Not Paid	Not Paid	Not Paid	Not Paid	Not Paid	1,344,185.34 In AFN

<sup>1</sup> There are 329 active extractive companies in 6 provinces (Nangarhar, Baghlan, Samangan, Balkh, Badakhshan and Herat) that the AEITI Mission had visited and verified.

<sup>2</sup> The figure 800 is derived from AEITI's generalization of the companies based on the actual figures in 6 provinces. If there are half the number of active companies in the remaining provinces, there should be at least 800 active companies in all 34 provinces.

<sup>3</sup> The above figures are at the lowest average in order to be on safe side - Actual figures may significantly increase

<sup>4</sup> Other taxes that are not paid (i.e. Salary, Rent, and Contract, Dividends, Penalties and Fixed taxes) are not calculated here and are yet to be reclaimed.

# **FOURTH AEITI REPORT**

## **APPENDIX 10.10**

**Report on villages making jewellery**



# **What Size is the Gemstone Sector? Evidence from AFGHAN JEWELLERY VILLAGES**

**10<sup>th</sup> October 2015**

**Researcher: Robin Grayson**

**Team Leader GEM-ASM Component of SDNRP-2 Project**

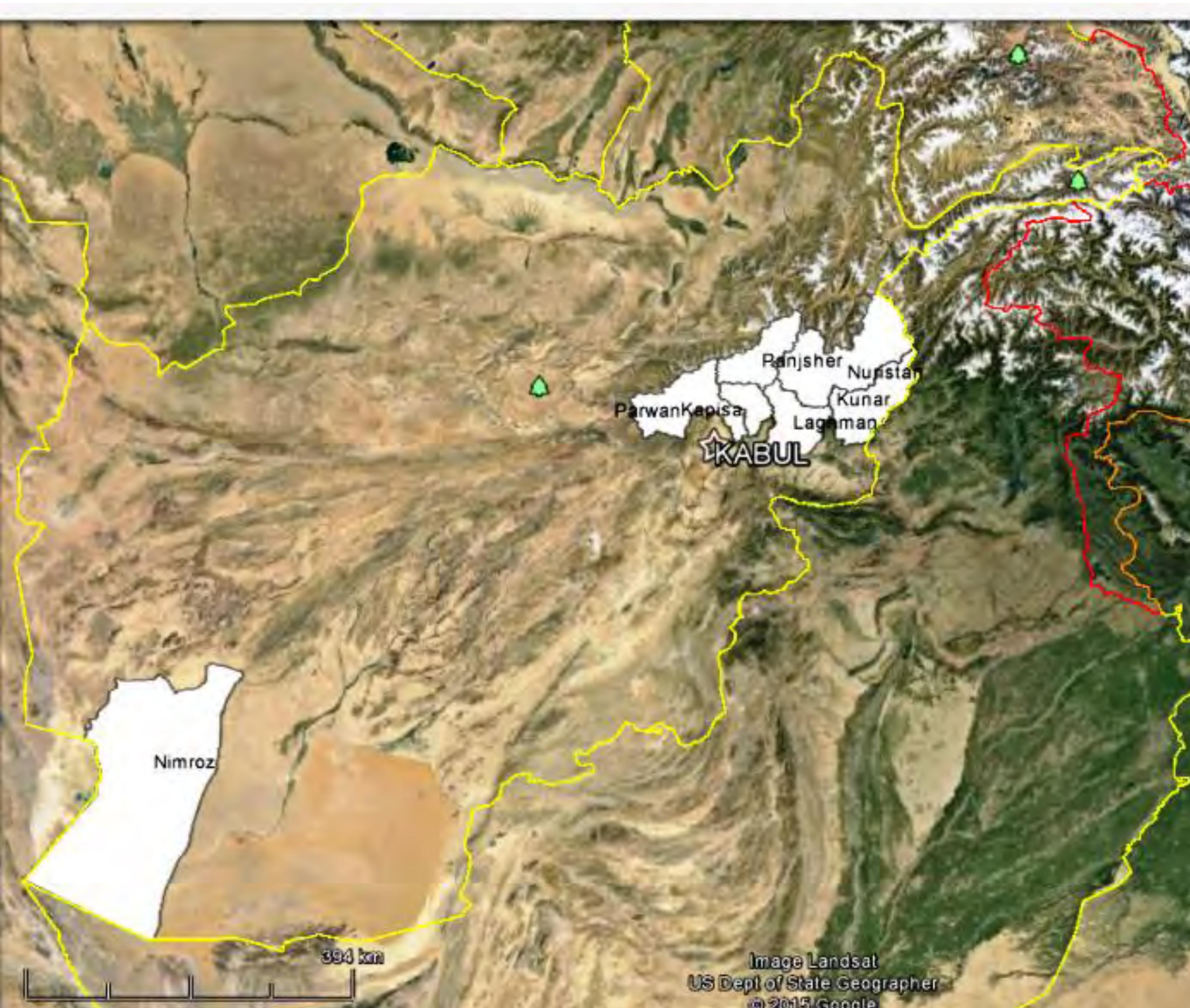
**Document prepared for**

**Eng. Qaderi**

**Director**

**Small Mines Directorate  
Ministry of Mines and Petroleum**

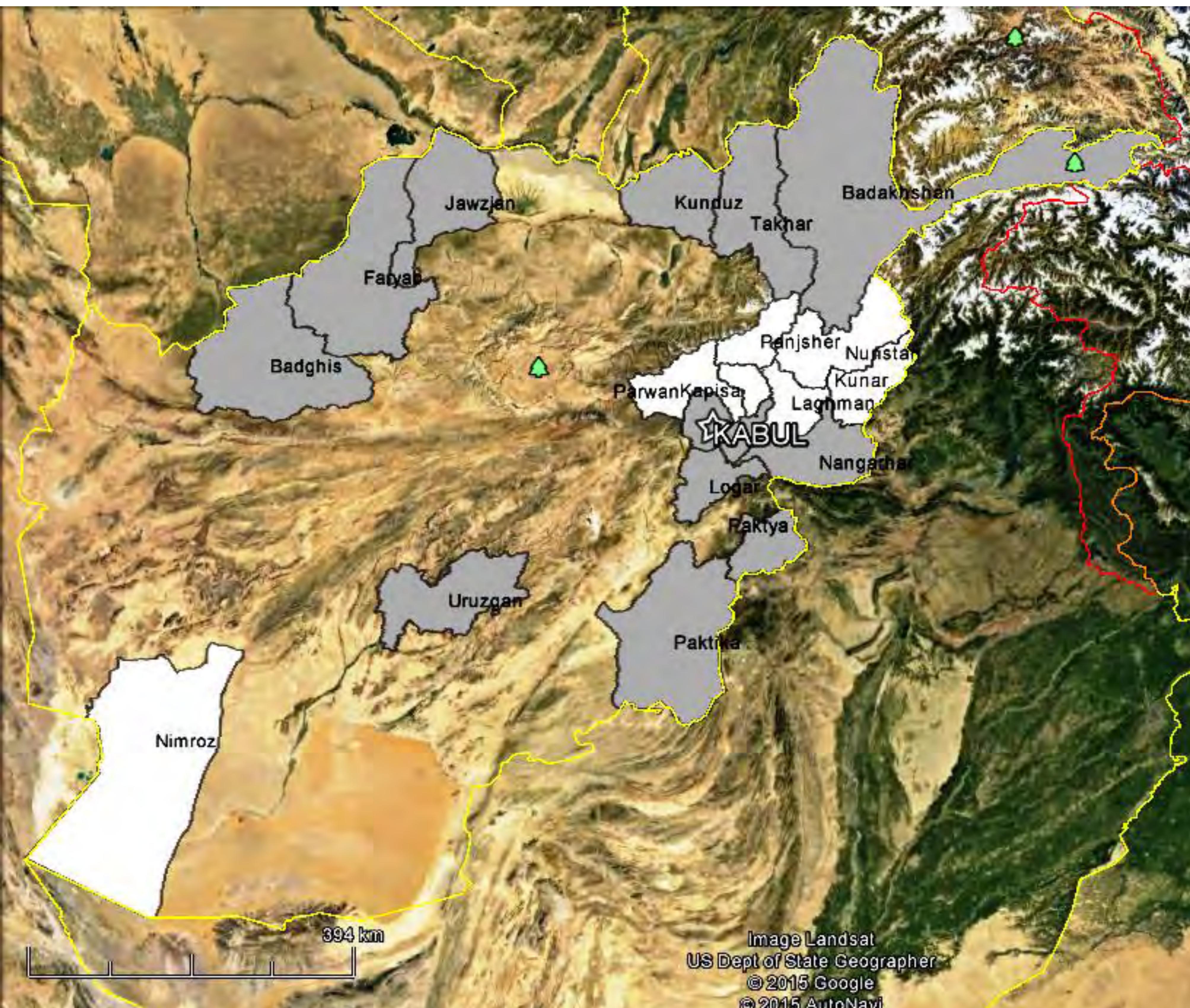
# 1 - 6 jewellery villages per PROVINCE



**engaged in  
Jewellery  
Handicraft  
in 2007**

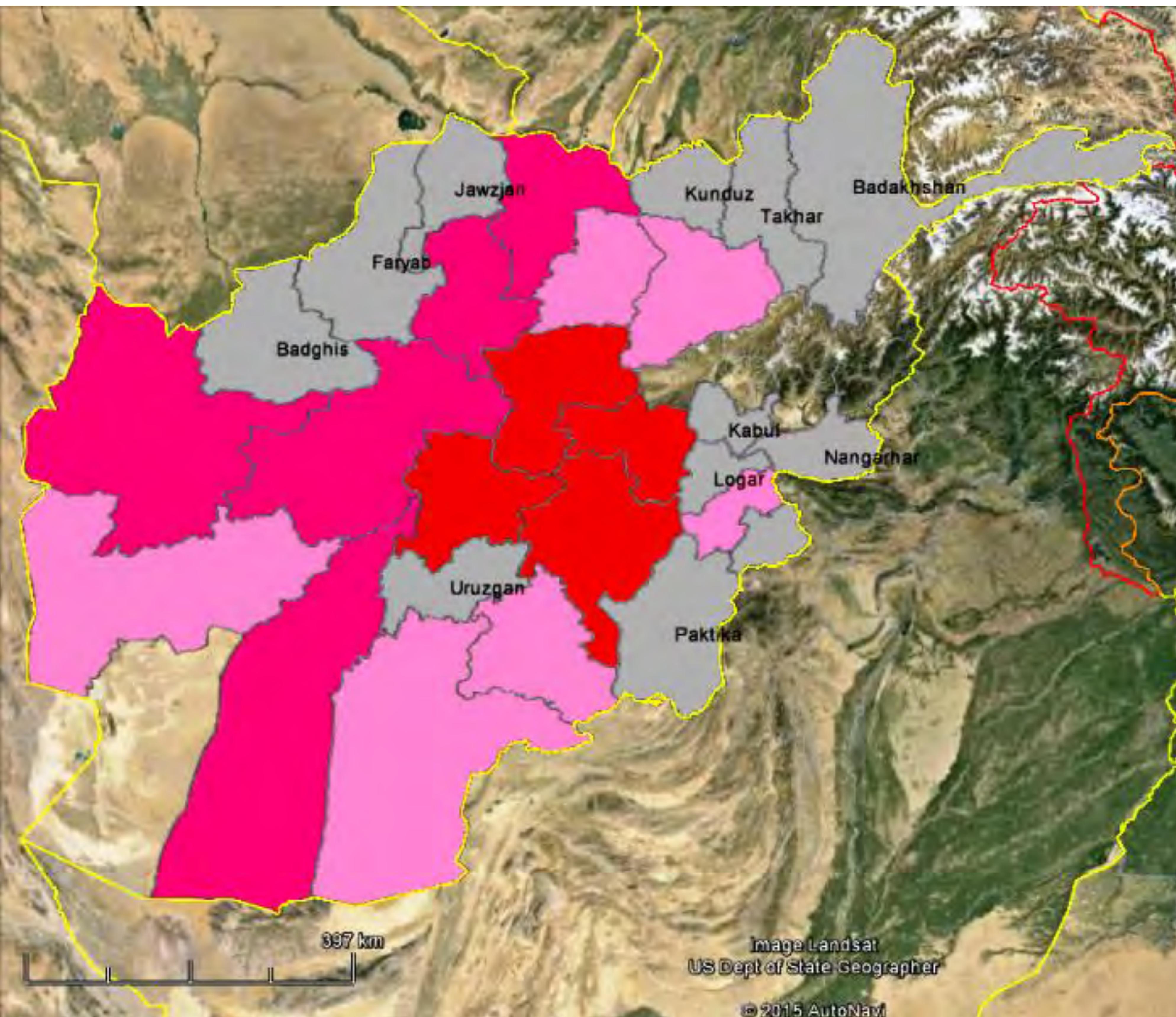


# 1 - 15 jewellery villages per PROVINCE



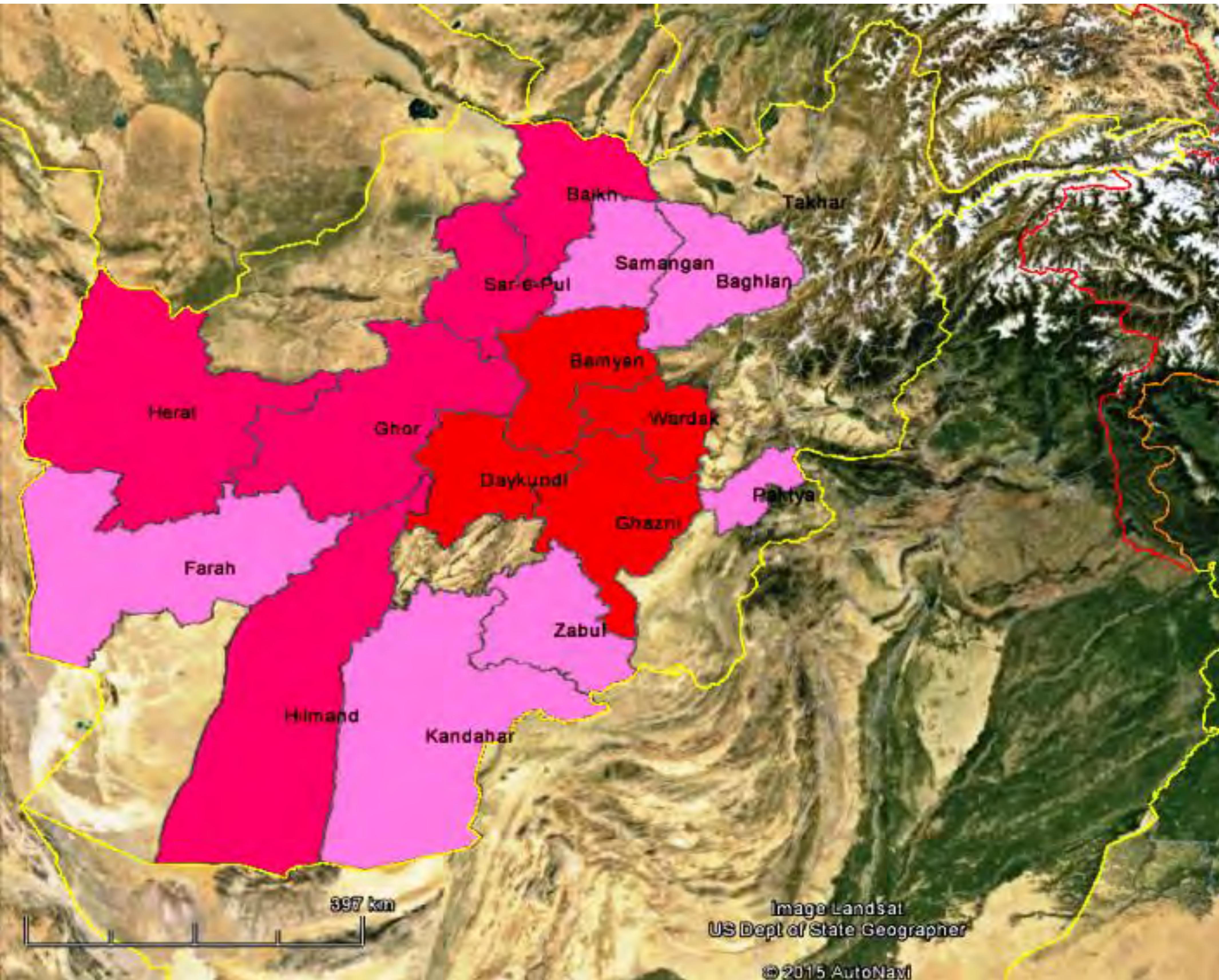
**engaged in  
Jewellery  
Handicraft  
in 2007**

# 25 - 200+ jewellery villages per PROVINCE

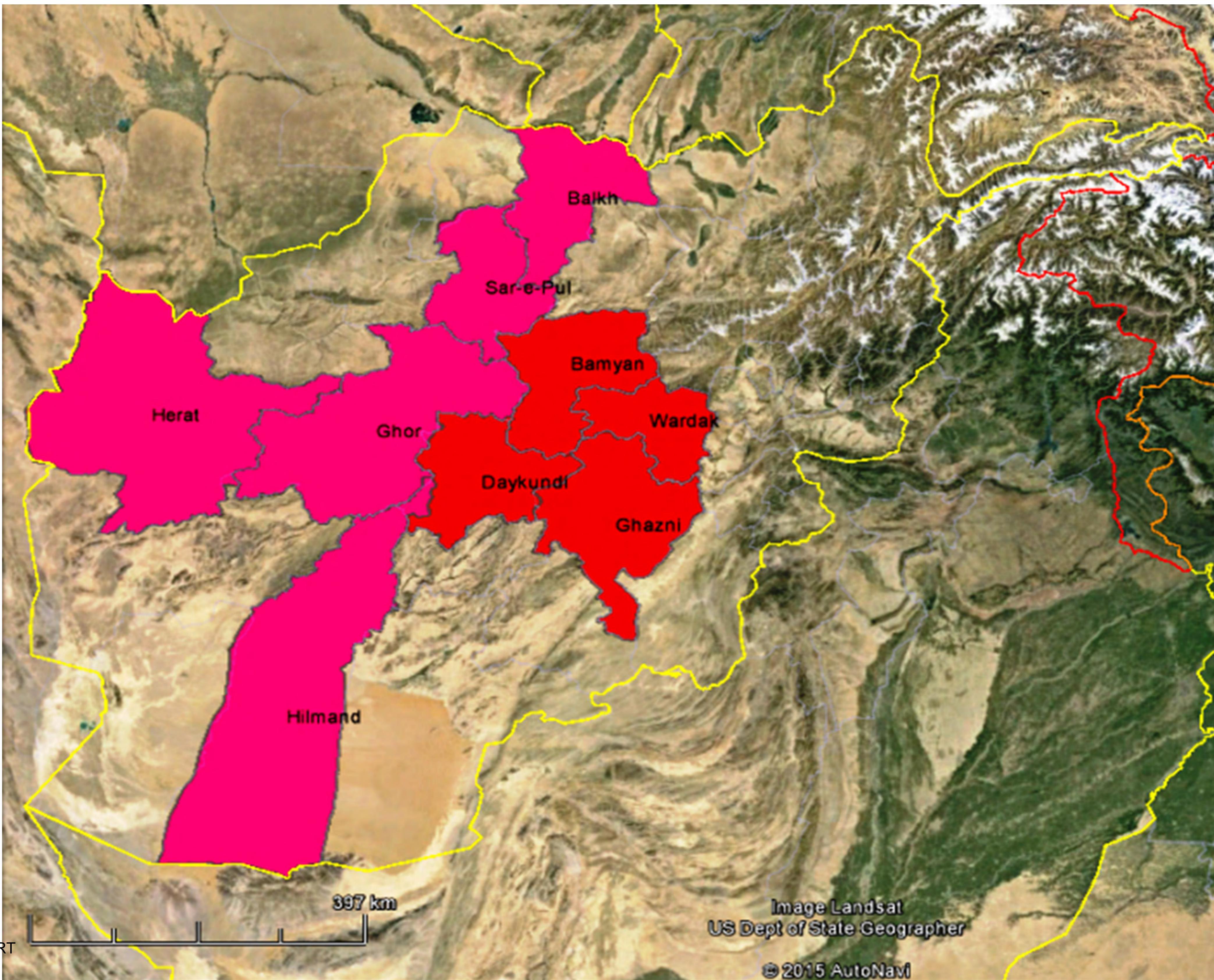


**engaged in  
Jewellery  
Handicraft  
in 2007**

# 60 - 200+ jewellery villages per PROVINCE



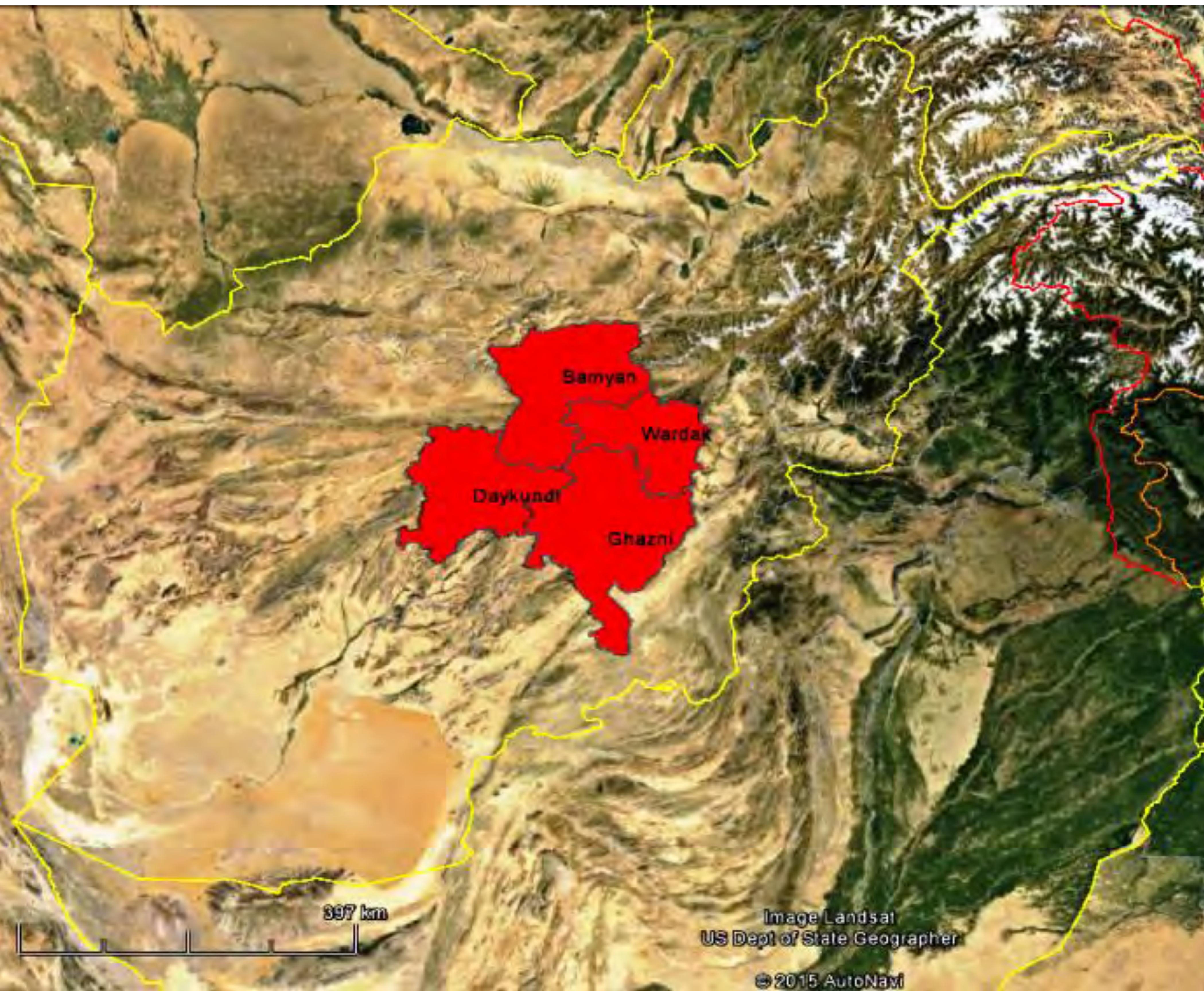
# 100 - 200+ jewellery villages per PROVINCE



**engaged in  
Jewellery  
Handicraft  
in 2007**

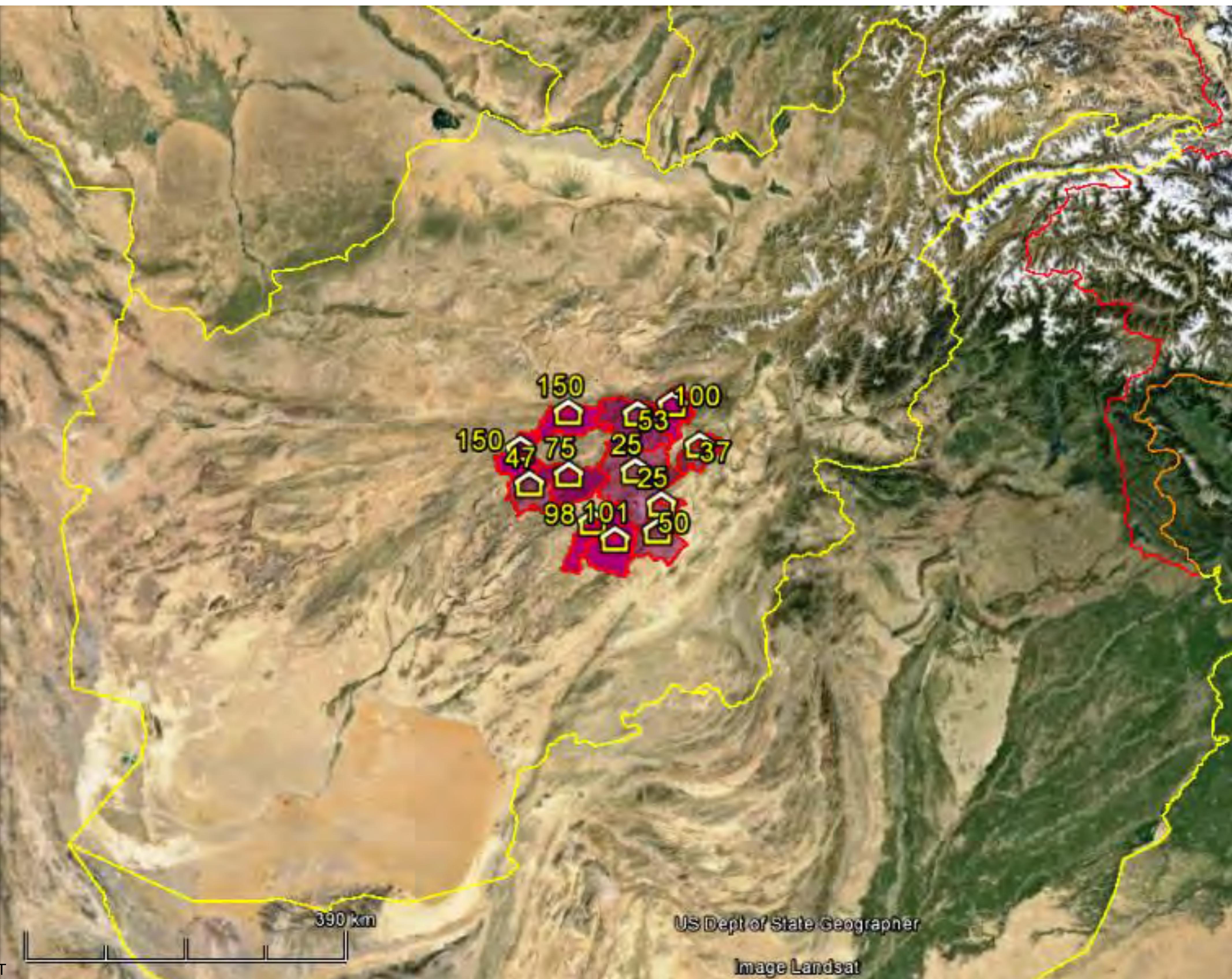


# Afghan Super-Cluster of Jewellery Villages

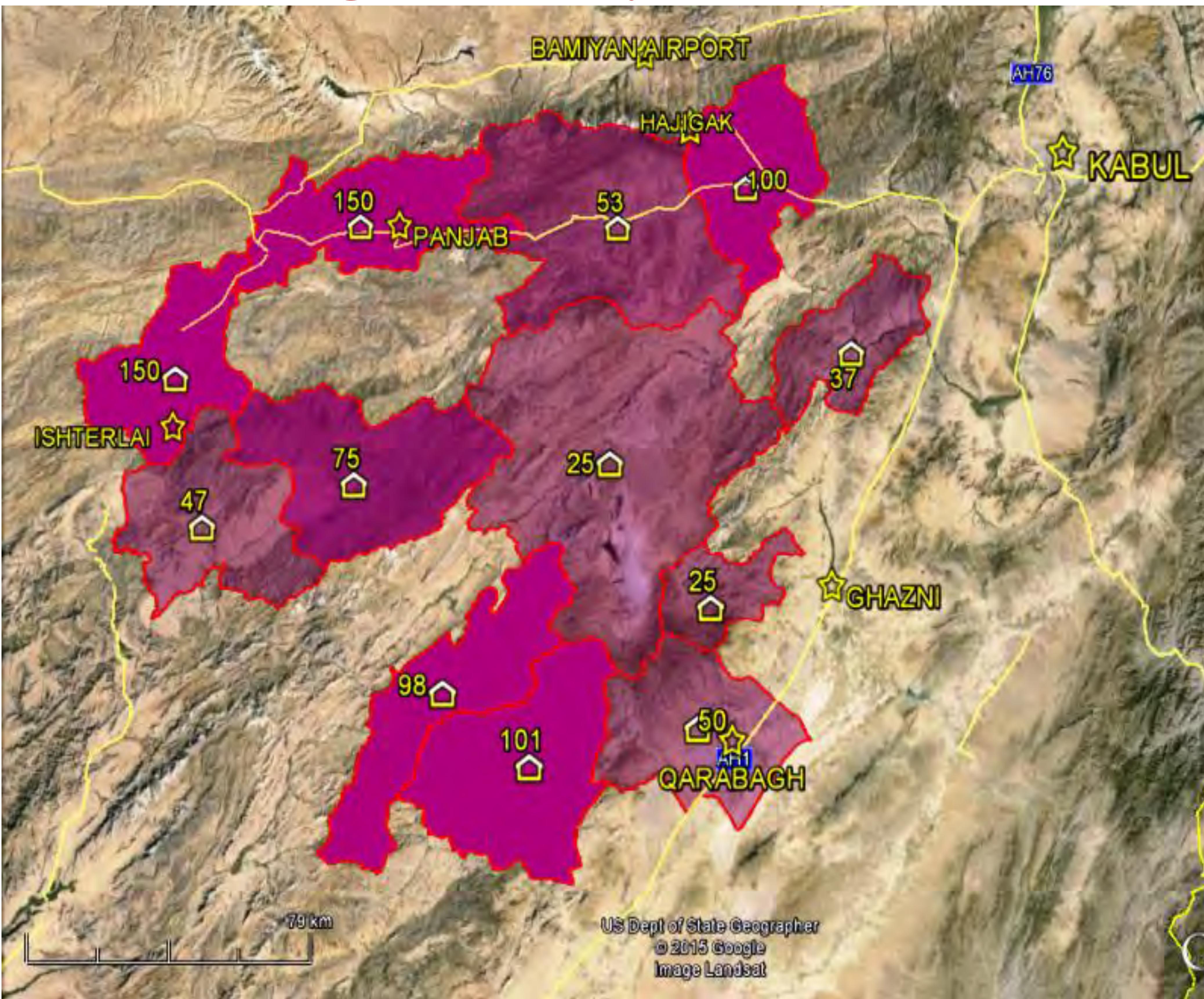




# Afghan Super-Cluster of Jewellery Villages

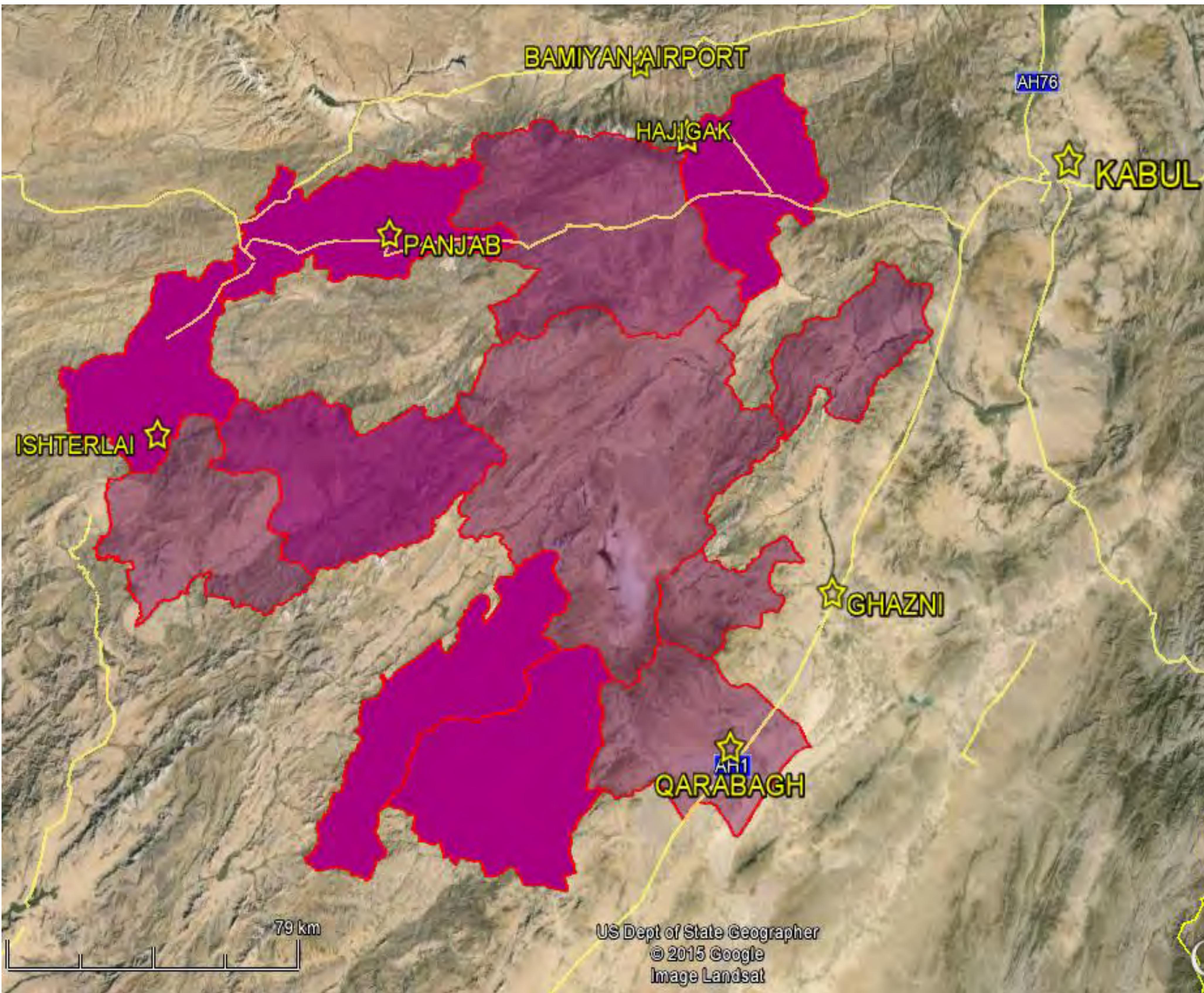


# Afghan Super-Cluster



# **Number of villages engaged in Jewellery Handicraft in 2007 per DISTRICT**

# Afghan Super-Cluster Location



# **FOURTH AEITI REPORT**

## **APPENDIX 10.11**

**MOU between MOF and MOMP**

*ISSUED*

## MEMORANDUM OF UNDERSTANDING

Between

MINISTRY OF MINES

and

THE MINISTRY OF FINANCE

Date: February 01, 2011

### 1. Background

The Government of the Islamic Republic of Afghanistan (GoIRA) has reaffirmed its commitment during the Kabul Conference to focus on reform for a more effective, accountable and transparent government.

There is a need to streamline the bureaucracy, facilitate the establishment of systems and processes to promote a culture of transparency and accountability, eliminating red tape and corruption opportunities in the structure and system, hence increasing revenue generation and collection.

In response to the request of the Minister of Finance, the Afghanistan Revenue Departments Non Tax Revenue Directorate (NTR) is committed to provide technical assistance and training to support GoIRA's Kabul commitments to undertake reforms in Non Tax Revenue generation and collection.

### 2. Purpose

- 1.1 This agreement records an understanding between the Ministry of Finance (MoF) and the Ministry of Mines.
- 1.2 This agreement is to establish a level of support and co-operation between the Ministry of Finance and the Ministry of Mines towards improving procedures for mining revenue collection and data management.

### **3. Responsibilities**

**The Ministry of Finance shall:**

- 3.1 Provide a NTR Team to the Ministry of Mines through the Afghanistan Revenue Departments Non Tax Revenue Directorate to assist in the improvement of current procedures for collection of mining revenue nationwide (including but not limited to License Fees, Royalty Payments, Penalty Fees, Land Fees, Rental Fees and Extractive Bid Fees) and for transparent reporting of mining revenues.
- 3.2 Provide technical support to the NTR Directorate through the Policy Analysis and Development Department.
- 3.3 The Non-Tax Revenue Directorate shall extend its facilities and technical resources in conducting workshops, consultations and seminars in support of the work plan of the Project Implementation Team.
- 3.4 Provide technical support and guidance through the EITI Secretariat to ensure that all reform undertaken is consistent with international best practice and meets the requirements for validation and compliancy of EITI.

**The Ministry of Mines shall:**

- 3.1 Form a Project Implementation Team which shall serve as the lead team for undertaking the Project. The Project Implementation Team shall be composed of no more than 6 members from among the staff of the Ministry of Mines who are directly concerned with collection of mining revenue nationwide
- 3.2 Develop a 6-month Work Plan to undertake the necessary activities to attain the Project objective through the Project Implementation Team with the guidance of the NTR Directorate. The Work Plan of the Project Implementation Team will cover the following areas:
  - A. Assessment of the current procedures and process for mining revenue collection and reporting.
  - B. Designing simplified and transparent systems and procedures for mining revenue collection and reporting in Kabul and at the provincial level.
  - C. Align revenue data collection and reporting procedures with EITI requirements.
  - D. Integrating anti-corruption measures into improved systems and procedures for mining revenue collection and reporting in Kabul and at the provincial level.
  - E. Pilot Implementation in Kabul and at the provincial level
  - F. Evaluation

3.3 Authorize the members of the Project Implementation Team to prioritize their individual work schedules to accommodate the accomplishment of the work plan according to the planned time frame.

3.4 Designate a space which shall serve as work area for the Project Implementation Team

#### 4. OUTPUTS/ DELIVERABLES

4.1 Improved revenue generation and transparent mining revenue collection processes

4.2 Improved revenue reporting and transparency in line with GoIRA's commitment to Extractive Industries Transparency Initiative (EITI)

4.3 Performance measures established indicating improved control and monitoring of revenue collection staff, including the Mining Cadastre in Kabul and MoM provincial offices.

4.4 Recommendations to address policy gaps and required legal instruments to support changes identified

4.5 Personnel trained to manage pilot testing of new design

4.6 An investment plan and strategy for the consideration of the GoIRA to address essential equipment and capacity development for sustainable implementation of a new system

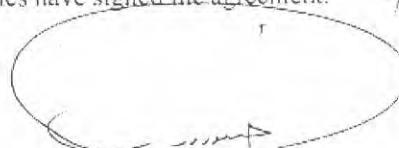
This agreement shall be in effect as of the date all parties have signed the agreement.



SIGNED:

Wahidullah Shahrani

Minister of Mines



Dr. Hazart Omar Zakhilwal

Minister of Finance

WITNESSED,

Deputy Minister Regulation & Coordination

Eng, Nasir Ahmad Durani

Deputy Minister Revenue & Customs

Said Mobeen Shah

# FOURTH AEITI REPORT

## APPENDIX 10.12

**EITI Board: list of corrective actions**

## Corrective Actions Required by the EITI Board in connection with the implementation of EITI in Afghanistan

1. That the MSG agrees a clear definition of 'material payments and revenues' ... specifically addressing the materiality of payments and revenues to sub-national government entities, and barter agreements (Requirement 9).
2. That the government ensures that all companies and government entities participate in the reporting process (Requirement 11) .... and suggesting (in line with Requirement 11(b)) that the MSG may wish to request that the government discloses the combined benefit streams from small operators whose individual payments are not material.
3. That the government ensures that company reports are based on audited accounts to international standards (Requirement 12), and that the MSG agrees a strategy to address this issue.
4. That the government ensures that government reports are based on audited accounts to international standards (Requirement 13,) and that the MSG agrees a strategy to address this issue.
5. That the government ensures that participating companies comprehensively disclose all material payments in accordance with the agreed reporting templates (Requirement 14).
6. That the government ensures that participating government entities comprehensively disclose all material revenues in accordance with the agreed reporting templates (Requirement 15).
7. That the EITI Report comprehensively identifies all discrepancies, where possible explains those discrepancies, and where necessary make recommendations for remedial actions to be taken (Requirement 17)

# **FOURTH AEITI REPORT**

## **APPENDIX 10.13**

**Artisanal and Small Scale Mining in Afghanistan:  
Background and Context – an Interim Report by GIZ IS**



## INTERIM REPORT

### Artisanal and Small Scale Mining in Afghanistan : Background and Context



### Islamic Republic of Afghanistan Ministry of Mines and Petroleum

### Sustainable Development of Natural Resources Project SDNRP II – Component 4

Consultancy Services in Support of Strengthening the Formalization of the Artisanal and Small-scale Mining and Gemstone Sector in Afghanistan (CT-39)

Submitted 14 November 2015 by  
**Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ IS)**

**Report contributors:**

**Robin Grayson, Katharina Merkel, Felix Hruschka and Laura Baretto**

This report was prepared with the financial assistance of The World Bank.

The views expressed herein are those of the Lead Facilitating Partner  
and do not represent those of The World Bank

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## Preface

Our understanding of the Afghanistan Gemstone Sector is advancing so fast that this document is simply an Interim Report.

A rapidly growing mass of factual evidence demonstrates the Afghan Gemstone Sector to be much larger than hitherto supposed in terms of the number of gemstone localities, active gemstone mines, and the diversity of precious and semiprecious stones occurring in Afghanistan.

Over the last 20 years, Government policies, strategies and initiatives in the Afghan Gemstone Sector have been skewed towards the high-value world-class gems and jewellery that are the spearhead for creating a profit-driven export-led gemstone industry. The growing mass of factual evidence shows that there is a remarkably large rural industry meeting the domestic demand for cheap but well-crafted jewellery. Rather than a couple of hundred villages as previously assumed, our factual analysis revealed 2,690 villages were engaged in jewellery making at the time of national village census in c.2004. Tens of thousands of village households depend on easy access to low-cost lapidary materials in order to produce the low-cost artisanal jewellery demanded by the domestic market. In response, we are compiling a dossier for the Small Mines Directorate of hundreds of locations of suitable simple lapidary materials notably *chalcedony, agate, onyx, jasper, bowenite, turquoise, magnesite, chrysocolla, malachite, steatite* and *serpentine*.

As far as we are aware, this is the first time in Afghanistan that a dossier of simple lapidary materials has been attempted. Until now, investigations by the AGS, BGS, USGS, Task Force and USAID have paid far more attention to export-orientated high cost gems and associated cross-border issues than to investigating the domestic sources of simple lapidary materials essential for artisanal jewellery making in 2,690 villages.

In the light of the rapid accumulation of fresh facts that challenge and undermine long-standing assumptions, the patience of the reader is requested before an evidence-based reassessment of the Afghan Gemstone Sector can be completed.

Meanwhile this document is simply an Interim Report, as explained in the Executive Summary on the next page.

## Executive Summary

This report provides a brief overview of the Afghan artisanal and small-scale mining (ASM) sector. It highlights the importance of the sector to economic growth and employment generation and describes some of the key legal, regulatory and other challenges bearing on the sector. The report specifically focuses on the gemstone sector as one of the key segments of the wider ASM sector.

While it is difficult to ascertain the true extent, ASM activities in Afghanistan are at least as important as large scale mining operations, in particular in terms of the number of people involved. It is estimated that across the country some 50,000 miners are directly involved in ASM, an estimated 10,000 to 15,000 of whom in the extraction of gemstones. The number of people involved in up-and downstream ASM related businesses is estimated in the range of 200,000 to 450,000. Hence it can be assumed that around 3 to 6% of the Afghan labour force depends at least partially on the ASM sector to make a living. In some mountainous and remote parts of the country, ASM provides employment where other livelihood opportunities are critically limited. The jobs created by artisanal mining operations constitute an important source of income for the rural poor. Although it may not be realistic to establish a fixed amount of income for ASM activities, preliminary evidence indicates that incomes of ASM miners might be higher than the national average. Hence the sector - while small-scale - is economically and socially significant, in particular when regarded on a national scale.

Meanwhile, however, many of the potential benefits are lost through poor practices, which include low lack of formalization and regulation, health and safety hazards, security risks and relatively few benefits through local beneficiation. While artisanal mining is permitted under the Afghanistan Mining Law, the majority of ASM activities are undertaken outside of the legal framework, with miners operating either illegally or informally. Hence, the sector's contribution to formal economic accumulation remains relatively small.

While value chain operations for some semi-precious stones - in particular lapis lazuli - have increased throughout the last few years, they remain virtually nonexistent for high-value stones such as emeralds and rubies. Gemstone value chain operations traditionally add up to 40% of gemstone value to its original value but in Afghanistan, much of this potential is still lost. In 2007 it was estimated that around 95% to 99% of gemstone leave the country illegally without being registered and further processed<sup>1</sup>. The economic loss for the economy is tremendous.

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<sup>1</sup> Gary Bowersox, Donna Sibley, Lawrence Snee and Mary Louise Vitelli (2007). Assessment of Afghanistan Gemstone Industry. Sibley International Corporation for Development Alternatives Inc.(DAI). USAID Afghanistan SME Development Project, 23 pages.

# 1 Small-Scale Mining: Definition

## 1.1 Introduction

Before embarking on the main themes of this paper, it is useful to define what is meant by artisanal and small-scale mining (ASM). Different countries define ASM in their legislation according to different criteria, such as volume of production, volume of output, the amount of capital invested, the size of the workforce, the size of a claim, the depth of the mine, and/or the level of sophistication of the mining equipment used.<sup>2</sup>

In the Afghanistan Minerals Law, **Artisanal Mining (AM)** is recognized as mining that is conducted by limited [ordinary] equipment/tools and does not exceed 30 metres in depth within an **area of no more than 1 hectare.**" The definition of Artisanal Mining (AM) also references **methods and types of minerals** as "panning [traditional gold-washing method] and extraction of precious, semi-**precious and ornamental stones**".

**Small Scale Mining (SSM)** in turn is defined as "the activity of exploiting industrial minerals (such as clay, lime stone, gypsum, salt, talc, gulgazts, barite, fluorite, asbestos, graphic [graphite], kaolin, sulphur and carbonates)" and "operates in an area less than 1 km<sup>2</sup> and 60 metres **in depth**"

In reality however, Afghan gemstones are sometimes mined in tunnels of approximately 50-70 metres deep and at the same time, many industrial minerals are also mined using traditional artisanal mining techniques. Efforts to create a clear distinction between artisanal and small-scale miners have proved to be difficult elsewhere and this is also true for the Afghan context.

Throughout this report, the terms AM and SSM are therefore used interchangeably and the usage **of the term "ASM" is aligned with its internationally accepted definition by OECD as "formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour intensive technology and can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners".**<sup>3</sup>

This is largely in line with the definition brought forward in the Afghanistan ASM policy: "Artisanal mining refers to mining by individuals, groups, families or cooperatives with minimal or no mechanisation, often in the informal (illegal) sector of the market."

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2 <http://im4dc.org/wp-content/uploads/2013/09/Collins-ASM-FR-Completed-Report.pdf>

3 OECD 2012: OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas - Supplement on Gold.

## 2 Artisanal and Small-Scale Mining: Characteristic

ASM is generally distinguished from industrial mining by a low level of production, relatively low degree of mechanization, high degree of labour intensity, high levels of informality and poor occupational health, safety and environmental conditions. However, the heterogeneity of the ASM sector makes it difficult to draw generalized conclusions.

### 2.1 Key Characteristics of the Afghan Gemstone Sector

The following table summarises some key characteristics made with respect to artisanal and small-scale gemstone mining in Afghanistan.

#### 2.1.1 Extraction Techniques

Historically, gemstone mining has always been an activity of high importance in Afghanistan. Lapis lazuli and other gemstones have been mined for about 6,000 to 6,500 years. Even today, mining is done under much the same way it has been for decades, maybe centuries, with the only significant change being the introduction of explosives in 1906. Technically, most gem mining conducted in Afghanistan is done using very antiquated tools and equipment, including considerable hand work that in other more developed settings would be done with automated tools and equipment. Most gem mining operations are underground - the tunnels are sometimes excavated as deep as 70 metres into the ground. The gemstones are then extracted by hand using drills, dynamite and often high explosives recycled from ordnance. Drilling is done manually and/or mechanically, using dry compressed air drill hammers. Most miners in Afghanistan have no legal access to explosives due to security related concerns. Miners are not formally trained nor do they possess any gemological or geological knowhow except for their experience. When working in the tunnels, particularly when drilling the holes, the tunnel air is filled with dust making it hard to breathe. The drilled holes are filled with dynamite which is set off with fuses that often leave no more than 45 seconds to run for cover outside the mine. The explosion then blasts the rock apart, shattering a large percentage of the sought-after stones. In the case of lapis lazuli it is estimated that approximately 70% of the precious stones are destroyed; for rubies it is a little lower, but for tourmaline it is often 90%.

#### 2.1.2 Safety Hazards

Artisanal gemstone miners expose themselves to harsh and often dangerous working conditions. Due to lack of water for wet drilling and even equipment suitable for wet drilling, or other measures for dust mitigation, rock dust and silicosis hazard is a serious (and mortal) problem for miners. No artificial ventilation is in place, worsening the dust problem. Workings are often laid out with little or no knowledge of rock stability. While there are no official statistics, it can be assumed that cave-in related death is a serious issue. Awareness about mine safety requirements and safe working practices is very limited and helmets, gloves, safety shoes, goggles, dust masks etc. are not in use and probably even unknown to most miners.

#### 2.1.3 Environmental Hazards

On the environmental side, impacts in the gemstone mining sector are relatively low. The low impacts are largely due to the high-value gemstones being generally found in remote mountainous regions often on extremely steep slopes unsuitable for arable farming or settlements. For instance the rock wastes of the Panjshir emerald mines is dwarfed by the much larger natural rock scree into which they merge. The same is true of the rock wastes of most of the pegmatite mines of Nuristan, Langar and Badakhshan.

Overall the gem mines are rarely associated with toxic metallic ores capable of causing heavy metal pollution to soils and water. On the upside, the ruby mines are intimately associated with marble that neutralizes any acid drainage.

## 2.1.4 Employment

Gemstone mining in Afghanistan is predominantly an ASM activity that is carried out by people living in villages surrounding the mines. It is difficult to ascertain the true extent due to the predominantly informal nature of ASM, the high number of seasonal and occasional workers and the lack of official statistics. However, unofficial estimates suggest that more than 50,000 people are already involved in ASM activities, extracting coal, metal ores, industrial minerals, gold and gemstones. The total number of people involved in gemstone extraction is estimated in the range of 10,000 to 15,000. Other major ASM commodities are marble and ornamental stones, as well as construction materials, for which a number of 20,000 miners appears realistic. Minor ASM commodities, notably chrome ore, salt, gypsum and talc, are estimated to account for another 5,000 workplaces.

Many more people are also involved in auxiliary spin-off economic enterprises such as the trade and processing of minerals and the delivery of other services to mining communities. Optimistic estimates are that for every mining job in a developing country an addition 90 jobs may be created.<sup>4</sup> This number seems overly ambitious within the Afghan context. In the case of lapis lazuli, for instance, the total number of people directly involved in up- and downstream related businesses is estimated in the order of 10,000 which compares to a number of approximately 1,000 miners. This number is substantially lower for high-value gemstones (e.g. emeralds and rubies) for which domestic processing skills remain virtually non-existent. Conversely for other minerals, employment generation in up- and downstream businesses might be even higher. Assuming a low median average of 5 to 10 additional jobs created, this would mean that around 250,000 to 500,000 people earn at least part of their incomes from ASM-related activities. This compares to a total labour force of around 8 million people.<sup>5</sup> Hence around 3% to 6% of the total Afghan labour force might depend at least partially on the ASM sector to make a living.

While globally it is estimated that around 30% of ASM is undertaken by women, both the mining and the trading of gemstones in Afghanistan are male-dominated activities. Women are however frequently engaged in the processing stage, in particular in the polishing of gemstones and the production of jewellery. No child-labour has been observed in the lapis lazuli mines of Badakhshan or the Panjshir emeralds mines. In contrast, child labour in brick clay quarries exceeds 50% near Kabul.<sup>6</sup>

## 2.1.5 Local beneficiation

The government of Afghanistan is encouraging the local beneficiation of minerals and has developed policies to limit the export of unprocessed minerals. Gemstone processing mainly includes the cutting, carving, polishing, faceting and setting of the stones into jewellery. In recent decades little processing has been practiced in the country. In years of war and struggle people primarily limited gemstones activities to mining since quick money from the export of rough stones was needed. Also, proper processing equipment and machinery was not available or hardly affordable. This resulted in little value chain operations that traditionally add up to 40% of gemstone value to its original value<sup>7</sup> However, more recently - since approximately 2009 onwards - various donor projects have invested in downstream value addition and have developed local capacities to process gemstones and produce jewellery for domestic and export markets. There are also examples of private entities focused on in-country local beneficiation. International jewellery designer Pippa Small, for instance, now provides 100,000 USD annually of her own investments to local jewellery businesses. There are also many associations across the country engaged in processing rough stones and jewellery making. It is estimated that 2,690 Afghan villages are involved in the jewellery making business. A 2011 survey further indicated that in the rural district of Dawlatabad in Balkh province alone, more than 1,300 households are involved in some kind of gemstone processing such as the polishing of semi-precious stones and/or the production of small beads and cabochons. Domestic processing of gemstones is however mostly limited to semi-precious stones which are easier to process and require lower initial investments. Processing skills for high-value gemstones such as rubies and emeralds remain virtually non-existent.

<sup>4</sup> Gary Bowersox, Donna Sibley, Lawrence Snee and Mary Louise Vitelli (2007). Assessment of Afghanistan Gemstone Industry. Sibley International Corporation for Development Alternatives Inc.(DAI). USAID Afghanistan SME Development Project, 23 pages.

<sup>5</sup> World Bank figure.

<sup>6</sup> ILO (2012). Buried in bricks: A rapid assessment of bonded labour in brick kilns in Afghanistan. International Labour Organisation (ILO).

<sup>7</sup> [www.ilo.org/wcmsp5/groups/public/-/-asia/-/-ro-bangkok/documents/publication/wcms\\_172671.pdf](http://www.ilo.org/wcmsp5/groups/public/-/-asia/-/-ro-bangkok/documents/publication/wcms_172671.pdf)  
Gary Bowersox, Donna Sibley, Lawrence Snee and Mary Louise Vitelli (2007). Assessment of Afghanistan Gemstone Industry. Sibley International Corporation for Development Alternatives Inc.(DAI). USAID Afghanistan SME Development Project, 23 pages.

## 2.1.6 Economic Informality

The majority of ASM activities are undertaken outside of the legal framework, with miners operating either illegally or informally. While the government has already undertaken extensive reforms of regulatory and legal frameworks that permit artisanal miners to operate, lack of knowledge about formalization requirements and lack of incentives to operate legally pose major challenges. Royalty rates and other costs are currently far beyond comparable international value. Moreover, formalization efforts sometimes conflict with long-standing customary rights regimes. Many miners fear government interference and the criminalization of their existing mining operations. Implementing a property regime based on the rule of law is therefore not an easy and straight-forward endeavour.

Since the majority of mineral production continues to be dominated by informal ASM operations, the sector's contribution to formal economic accumulation is relatively small but not always insignificant, as the case of the lapis lazuli mines in Badakhshan illustrates (tax payments in 2014: 630,000 USD). While the lapis lazuli mines were an isolated case in which a gemstone mine was put into a provincial tender on the basis of the 2012 Afghanistan Mining Law, revenue sharing and tax collection agreements have also been in place for other mines and minerals. Yet in the past, the framework in which these agreements had been operating, often did not reflect all aspects of the Minerals Law: mining rights were either awarded without the necessary application of all legal provisions or mining simply took place outside the scope of any government participation. This resulted in ad hoc resource extraction with limited state returns in the form of royalties, licensing and authorization fees that would ordinarily revert in support of the national budget.

## 2.1.7 Formal Economic Accumulation

Formal economic accumulation can however also be observed in some of the higher and more formal links in the value chains, as Graph 1 further illustrates.

Graph 1: Formal and informal economic accumulation in gemstone value chains.



However, there are no official statistics that ascertain the true extent of formal economic accumulation in upstream and downstream value chain linkages.

## 2.1.8 Enforcement

Formalisation requires enforcement on the ground and there are many issues associated with achieving regulatory oversight of a large number of small operations often located in remote and volatile areas. The capacity of state services to oversee the ASM sector remains extremely limited. Lack of means, personnel and technical knowledge are compounded by a weak security situation which prevents the government from establishing an administrative presence in the mining areas.

Evasion of official taxes is not only by illegal and un-registered extraction but also by other means such as under-declaration of quantities, false declaration of grades of stones, and the smuggling of minerals. Due to these problems, the vast majority of stones leave the region and the country without being registered. It is estimated that 95% to 99% of gemstones are smuggled out of the country, mainly across the border to Pakistan. Minerals that are exported via mainstream legal channels, e.g. Torkham border crossing to Pakistan, are often wrongly declared by the traders. At this crossing, no facilities exist to verify if a truckload coincides with what is written in the export documents.

## 3 Afghanistan's Gemstone Localities

### 3.1 Gemstone Localities, Sites, Deposits, Occurrences

The term 'Deposit' has a precise meaning for geologists and mining engineers, and so too do the terms 'Reserves' and 'Resources'. The reader is therefore cautioned to avoid the everyday use of these terms. Instead the term 'locality' or 'site' are much to be preferred and can be used interchangeably.

### 3.2 Overview

Thousands of gemstone localities exist in Afghanistan and are spread across the entire country. The localities can be classed as high-value sites and low value sites.

#### 3.2.1 Low-value Sites

Low-value sites are geological sites yielding common lapidary material ideal for making low-cost jewellery affordable by all strata of Afghan society. Low-value sites are therefore crucial for the sustainability of village craft jewellery production. The attractiveness, low price and ease of availability render some stones suitable for making beads and cabochons notably: chalcedony, agate, jasper, chert, onyx, chrysocolla, Afghan jade (=bowenite), marble and magnesite. Such materials are attractive but relatively inexpensive as they usually lack the transparency to warrant cutting and polishing.

#### 3.2.2 Complex-value Sites

Complex-value sites are numerous geological sites that are difficult to classify. For instance many sites are mined for high-value gems such as kunzite but may also be profitable to mine for ores of tin (cassiterite), tungsten (wolframite), tantalum and niobium (Tantalite-coltan-columbite). Complex-value sites may produce not only high-value gems but also many tonnes of low-value gems, notably attractive garnet crystals suitable for cutting and polishing for village jewellery production for the domestic and regional markets.

#### 3.2.3 High-value Sites

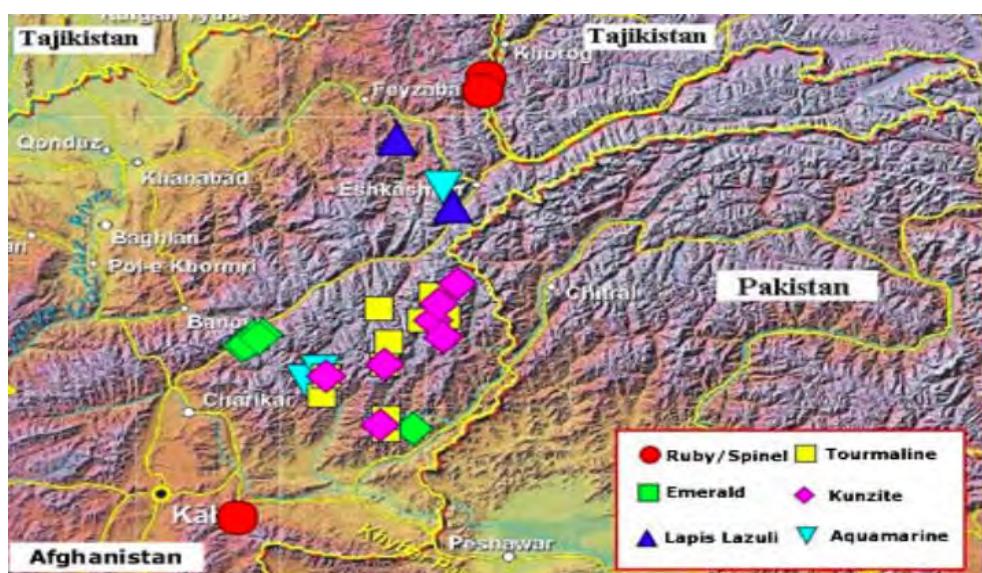
High-value sites are geological sites yielding internationally rare lapidary material such as lapis lazuli, and geological sites yielding internationally sought crystals of high-value gems such as ruby, sapphire, aquamarine, emerald, tourmaline and kunzite. Most of the rough crystals are destined for the international cut and polished 'coloured gem market'. Sometimes the rough material includes spectacular crystals and these are mined for export to international collectors, notably: bi-coloured tourmaline and kunzite.

### 3.3 Geographical spread of Gemstone Sites

#### 3.3.1 Geographical spread of High-value Sites

High-value sites are found in many provinces. However the greatest concentration is in five north-eastern provinces of Afghanistan: Badakhshan, Nuristan, Laghman, Kunar and Panjshir. This region has long been famous for its world-class lapis lazuli, emerald, spinel, kunzite and aquamarine. The illustration below is a map that shows the main clusters of high-value sites as understood 20 years ago. Since then many more high-value sites have been identified, and in particular the same region is now also a gem producer of sapphires and morganite.

The map also shows the cluster of high-value sites that produce world-class rubies near Gandamak close to Kabul but closer to the porous border with Pakistan.



Map: [www.gemselect.com](http://www.gemselect.com)

#### 3.3.2 High-value Sites close to Pakistan border

The map also shows **Afghanistan's main** high-value sites are remarkably close to the border with Pakistan. Not surprisingly the bulk of **Afghanistan's** high-value gems are smuggled across the porous border on long-established tracks and trails across desolate mountains and through dense forests.

As well as the smuggling of high-value gemstones, we have strong evidence that significant tonnages of low-value gems are also smuggled across the porous border into Pakistan. These low-value gems, notably garnets, are by-products of the ASM mines producing high-value gems. The volume of garnets is so great that many are now traded inside Afghanistan northwards to Faisabad and Ishakim and surplus garnets presumably exported from there to Tajikistan and beyond.

#### 3.3.3 Geographical spread of Low-value Sites

Low-value Sites are widespread and appear to be present in nearly all the 33 provinces of Afghanistan. The GIZ team is actively preparing a report for the Small Mines Directorate on the locations of Low-value sites.

## 4 Size of the Afghan Gemstone Sector: by Value

### 4.1 Introduction

The size of the Afghan Gemstone Sector by Value remains largely unknown. Indeed all previous studies have been focussed only on the high-value gems, and have paid little or no attention to low-value gems and common lapidary materials.

### 4.2 High-value Sites

High-value sites feature in every report on the Afghan Gemstone Sector and are a popular topic for endless public debate on border security, loss of State revenues, smuggling, corruption, anti-government forces etc.

The size of the Afghan Gemstone Sector was estimated in the 2004 World Bank Report '**Mining as a Source of Growth**' to be in the range of 3 to 20 million USD per year<sup>8</sup>. The following year the size was estimated in a 2005 UNDP/MCC report by Altai Consulting to be 10 million USD per year<sup>9</sup>.

It is now clear that both these assessments grossly underestimated the true size of the High-value Gemstone Sector, and made scant mention of the Low-value Sector.

The size of the Afghan Gemstone Sector was estimated in the 2014 MoMP/MCI '**Action Plan for the Gemstones and Jewellery Industry**' to be in the range of 30 to 80 million USD per year in terms of the value of gemstones mined<sup>10</sup>.

Recent research by a professor of Kabul University concluded that every year gemstones worth 267 million USD are smuggled out of the country<sup>11</sup>. The report remains unpublished but we assume it is focussed only on high-value gemstones.

This vast difference between these estimates shows the difficulty in determining the size of the Afghan Gemstone Sector. A realistic number for gemstone production could be anywhere between 50 and 300 million USD per year. But this would be subject to definition. For instance, lower grade lapis lazuli is not considered to be of gemstone quality. It should also be noted that gemstone traders in Afghanistan tend to base prices simply on supply and demand rather than on international market prices. Often the stones are sold drastically below their actual value.

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<sup>8</sup> *Transitional Islamic State of Afghanistan - Mining as a Source of Growth*. The World Bank, Report No. 28231-AF, 134 pages.  
[www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2004/03/26/000160016\\_2004032611059/Rendered/PDF/282310AF.pdf](http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2004/03/26/000160016_2004032611059/Rendered/PDF/282310AF.pdf)

<sup>9</sup> Justine Rubira, Hakara Tea ,Charles Clinton Weaver Carter, Najibullah Ziar, Mohammed Farhad Naimzada, Abdul Satar Haydari and Rodolphe Baudeau (2005). Chapter VIII: *Precious and Semi-Precious Stones*, pages 206-249 IN: Market Sector Assessments. SME Development., UNDP/Ministry of Commerce Partnerships for Private Sector Development (PPSD) project.  
<http://altaiconsulting.com/docs/sme/Alta%202005%20Market%20Sector%20Assessment%20SMEs.pdf>

<sup>10</sup> MoMP and MCI (2014). *Implementing the SME Strategy: An Updated Action Plan for Developing Afghanistan's Gemstone and Jewellery Industry*. (December 2014-November 2017), Ministry of Mines and Petroleum, and Ministry of Commerce and Industry, 23 pages. <http://afghanenterprise.com/wp-content/uploads/2015/02/Gemstones-Jewelry-Action-Plan.pdf>

<sup>11</sup> <http://www.tolonews.com/en/business/21027-267m-worth-of-gem-stones-smuggled-annually>

## 4.3 Low-value Sites

Low-value sites receive scant attention in previous reports on the Afghan Gemstone Sector and are rarely a topic of media concern. The GIZ team is mapping the distribution of Low-Value Sites with the Small Mines Directorate to determine the scale of the ASM activities and the security of supply of low-value lapidary materials that are absolutely essential for the sustainability of artisanal jewellery production in more than 2,690 villages.

GIZ/SMD investigations are underway on supply chain issues relevant to sustaining the large village craft jewellery industry, for instance:

- 1 Identifying existing domestic sources for lapidary-quality Afghan Jade (Bowenite)
- 2 Identifying existing domestic sources for lapidary-quality Turquoise
- 3 Identifying future domestic sources for lapidary-quality Shungite
- 4 Identifying future domestic sources of jewellery-quality Alluvial Gold Micro-nuggets

## 4.4 High-Value Mineral Specimens

High-Value mineral specimens are an important part of the Afghan Gemstone Sector. Most are sold as valuable rough gems, with the **buyer's aim** to have the crystal expertly cut and polished, and destined to be the centrepiece of high-end jewellery. Indeed this is the normal fate of tourmaline, emerald and ruby from Afghanistan.

But in tandem there is a large world market for perfect crystals of gems, with the buyer investing in the natural beauty of the uncut crystal.

In Afghanistan high-value sites for gems for cutting are also capable of producing perfect crystals of the same gem that may command an even higher price. International buyers from the USA, Germany and Israel etc. cultivate relations with Afghan miners and Afghan/Pakistan dealers in order to see the best crystals.

Recently a **spectacular tourmaline crystal, known as 'The Rose of Asia'** was carefully extracted from a spodumene pegmatite in slate in the Kéhi Dara Valley, south of the Paprok village in Nuristan. By unanimous acclaim from gemmologists worldwide is **the world's most beautiful tourmaline crystal. The 'Rose of Asia' has been valued at** more than 1 million USD, and at gem shows in the USA, Germany and China is attracting much media and public attention to Afghanistan and its gems.

The size of the Afghan Gem Crystal market may be in the order of 5 to 10 million USD a year. As the intrinsic value is in the uncut beauty of the crystal, there is no scope for added-value by producing jewellery in-country.



PHOTO: The Afghan 'Rose of Asia' – the world's most magnificent tourmaline.

## 5 Size of the Afghan Gemstone Sector: by Village

### 5.1 Introduction

Size by value is dealt with in the previous section, and focussed on the high-value gemstone market for which several estimates have been attempted. No estimates exist for the size by value of the low-value gemstone market.

Size by village is a novel attempt by the GIZ team to estimate the size of the low-value gemstone market indirectly, solely on the basis of the number of Afghan villages involved in craft jewellery production.

### 5.2 Jewellery Villages in Afghanistan

#### 5.2.1 National Total of Jewellery Villages

The national total of jewellery villages producing artisanal craft jewellery is 2,920, according to the only blanket survey ever attempted throughout Afghanistan, conducted in 2003-2005 and published in 2005. Trained census surveyors visited almost every village. Reprocessing of the data by GIZ detected an arithmetic error, and the **revised total is 2,690 jewellery villages**.

The most popular handicrafts in Afghanistan are rugs and carpets, produced in approximately 7,800 and 4,500 villages respectively, i.e. 44% and 26% of all villages engaged in handicrafts. Jewellery items rank third with 2,690 villages (15.3%).

#### 5.2.2 League Table of Number of Jewellery Villages per Province

The provincial total of jewellery villages is presented in 33 reports, one per Province. This enabled us to prepare a League Table of the 33 Provinces (see next page).

The Provincial League Table is remarkable in many respects, notably:

- 1 - Four of the 33 provinces contain nearly half the Afghan jewellery villages.
- 2 - The four provinces are juxtaposed: Ghazni (379), Daykundi (309), Bamian (295), Ghor (182) and **justifies the term 'AFGHAN JEWELLERY VILLAGE SUPERCLUSTER'**
- 3 - Provinces engaged in mining high-value gems have very few jewellery villages: Nuristan (2), Langman (5), Panjshir (6), Kapisa (12).

#### 5.2.3 League Table of Number of Jewellery Villages per District

The district total of jewellery villages is also presented in the set of 33 reports. This enabled us to prepare a League Table of the 386 Districts (not presented).

The District League Table is also remarkable, for instance:

- 1 237 of the 386 Districts have at least one village where craft jewellery is recorded.
- 2 Panjab District in Bamiyan Province has more than 150 jewellery villages.
- 3 Ishterlai District in Daykundi Province has 150 jewellery villages.
- 4 Jaghuri District in Ghazni Province has 101 jewellery villages.
- 5 Hissa-Behsud District in Wardak Province has 100 jewellery villages.
- 6 Together, these 4 districts contain nearly 50% of the jewellery villages of the Afghan Supercluster, equal to about a fifth of all jewellery villages in the country.

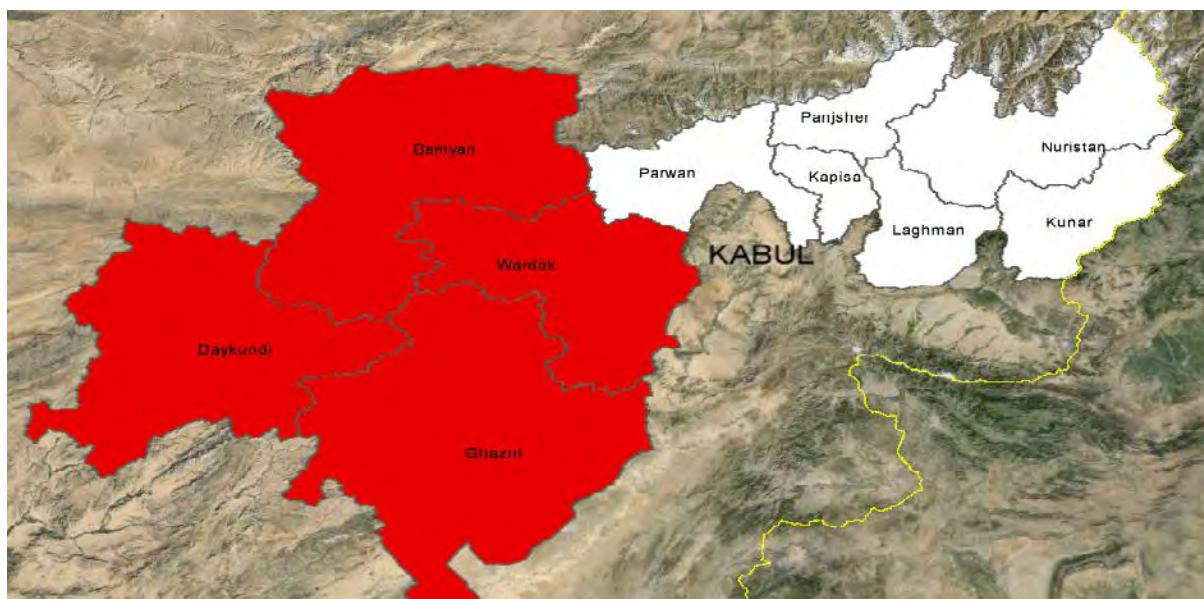
### League Table of Jewellery Villages per Province

PROVINCE	JEWELLERY VILLAGES	% of jewellery villages
Ghazni	379	14.1%
Dykundi	309	11.5%
Bamiyan	295	11.0%
Ghor	182	6.8%
Sar-I-Pul	157	5.8%
Herat	149	5.5%
Balkh	118	4.4%
Helmand	107	4.0%
Baghlan	97	3.6%
Farah	93	3.5%
Paktya	82	3.0%
Zabul	65	2.4%
Samangan	61	2.3%
Kandahar	61	2.3%
Badakhshan	55	2.0%
Kunduz	55	2.0%
Jawzjan	53	2.0%
Nagarhar	45	1.7%
Urozgan	44	1.6%
Faryab	40	1.5%
Takhar	39	1.4%
Khost	37	1.4%
Badgis	35	1.3%
Kabul	32	1.2%
Logar	26	1.0%
Paktika	26	1.0%
Parwan	13	0.5%
Kapisa	12	0.4%
Kulnara	9	0.3%
Panjshir	6	0.2%
Langman	5	0.2%
Nuristan	2	0.1%
Nimroz	1	0.0%
<b>TOTALS</b>	<b>2,690</b>	<b>100.0%</b>

## 5.2.4 Highest and Lowest Number of Jewellery Villages

A distinctive geographical pattern is revealed by the 'League Table of Jewellery Villages per Province' using Google Earth:

- 1 The Supercluster of Jewellery Villages is made apparent
- 2 By plotting the 4 provinces with the highest number of jewellery villages (RED below), the existence of the Afghan Supercluster of Jewellery Villages is made apparent.
- 3 By plotting 6 of the 7 provinces with the lowest number of jewellery villages (WHITE below), they are seen to be juxtaposed in a swathe of territory that coincides fairly well with most of **Afghanistan's important areas for high-value gems such as Panjshir and the Nuristan region.**



The reason for the scarcity of jewellery villages (WHITE above) is unclear. Many factors may be involved, perhaps the most likely being among the following:

- 1 The mining in these provinces produces high-value gemstones and therefore jewellery villages cannot afford to buy them, and the jewellery is too expensive for the domestic market.
- 2 The few jewellery villages that exist lack the skills and machinery essential for cutting and polishing high-value gemstones.
- 3 The region is inconvenient for international buyers and therefore most rough gems are transported to Kabul and Peshawar in Pakistan.
- 4 In these provinces, mining of high-value gemstones is much more profitable than mining low-value gemstones and therefore the low-value gemstones are often left in the ground.
- 5 Nevertheless medium to low-value gemstones are produced as by-products in the high-value mines but the jewellery villages lack the skills, machinery and capital to cut and polish them.
- 6 Some of the best low-value gemstones are also smuggled to Pakistan causing a shortage of raw materials and higher prices.
- 7 The mountainous roads, harsh winters and uncertain power supply render craft jewellery difficult.
- 8 Strong cultural and socio-economic factors may also apply.

## 6 Snapshots of Some Afghan Gemstones

The following list presents a brief snapshot of some of Afghanistan's most relevant high-value gemstone localities but is not exhaustive.

In 2007 it was estimated that there are more than 1,400 mineral occurrences in Afghanistan, more than 120 of which were attributed to gemstones<sup>12</sup>. Work-in-progress by GIZ indicates that the number of gemstone occurrences in Afghanistan is at least twice as many as estimated in 2007<sup>13</sup>.

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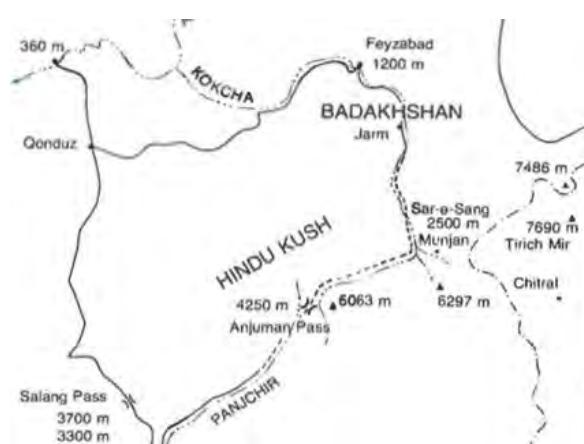
<sup>12</sup> Gary Bowersox, Donna Sibley, Lawrence Snee and Mary Louise Vitelli (2007). [Assessment of Afghanistan Gemstone Industry](#). Sibley International Corporation for Development Alternatives Inc.(DAI). USAID Afghanistan SME Development Project, 23 pages.

[www.gems-afghan.com/ngo/USAID-SibleyFinalMayReport0607.pdf](http://www.gems-afghan.com/ngo/USAID-SibleyFinalMayReport0607.pdf)

<sup>13</sup> Robin Grayson (2015). List of Occurrences of Gemstones and other Lapidary Materials. GIZ

### 6.1.1 The Lapis Lazuli Mines of Badakhshan

Badakhshan is one of the most remote and least developed provinces in Afghanistan. The province mainly relies on traditional industries such as subsistence farming and animal husbandry. However, more than 75% of the province is mountainous and around 12% is permanently snow-covered. This means that even in the agricultural sector economic opportunities are limited. The mining sector, notably lapis lazuli, is often considered the only feasible and prosperous development alternative for this remote region. The excellent quality of Afghan gemstones is undoubted and lapis lazuli originating from the mines in Badakhshan is considered one of the best in the world. Apart from the deposits in Badakhshan, lapis has only been found and exploited in very few other places around the world and the quality of other deposits is at best mediocre.



Photos: Mining village of Sar-e-Sang (left); old Soviet map of the mining region (right)

The lapis mines of Sar-e-Sang present a potentially significant source of wealth to Badakhshan and play an important role both as a direct source of employment and in generating additional jobs in the rural economy. Depending on the season, around 1,000 miners are involved in the exploitation of lapis. They are typically organized in small groups of approximately 5 to 6 men. Many more workers are also dedicated to mineral hauling. The total number of people directly involved in up- and downstream lapis lazuli related businesses is estimated in the order of 10,000. This compares to an estimated population of 9,300 in Kuran va Munjan and 36,500 in Jurm district, the two mining affected communities. However, much of the value addition is currently performed in Kabul and other major processing centres across the country.

The quality of the extracted stones is said to be no longer as good as it once used to be since in recent years several of the larger mining tunnels have collapsed. Today smaller mining operations have gained in prominence and it is estimated that there are currently around 100 ASM operations. They are spread over an area of approximately 300 square kilometres at an altitude of approximately 2,300 and 4,000m metres.

Tax collection and revenue sharing agreements have long been in place, however, only in 2012/2013, the lapis lazuli mines were privatized through a provincial tender. The lapis mines of Sar-e-Sang account for the largest share of mining revenues in Badakhshan - in 2014, 630,000 USD out of the total of 830, 000 USD.

Table 1: Tax Payments (approximate figures) generated by the DoMP in Badakhshan

Year	Tax Payments
2010	210 000 USD
2011	450 000 USD
2012	350 000 USD
2013	540 000 USD
2014	830 000 USD

In the past, about 200 to 400 tonnes of lapis lazuli were produced annually. Depending on the quality of the Lapis Lazuli, the local price per kilo oscillates between 30 Afghani (0.70 USD) for lowest quality of stones and 20,000 Afghani (400 USD) for best gem quality. One kilo of rather average lapis is sold for an average price of 1,250 Afs (i.e. 25 USD) per kilo, so production adds up to **5 to 10 million USD** per year. This figure is very conservative - with proper mining in place, annual production could be many times higher.

The key factors in evaluating the quality of lapis are the percentage and colour of the lazurite, as well as the combination and distribution of the colours of the associated minerals. The most desirable colour is a bright, saturated blue. Using the factors from above, a common 10-category scheme for quality grading has emerged which in the past has also been used for taxation purpose.

Taxation and Grading Scheme for Lapis Lazuli	
Grade 1	n.a. (grade is said to no longer exist as respective tunnel collapsed)
Grade 2	
Grade 3	
Grade 4	20 USD per kilo
Grade 5	12 USD per kilo
Grade 6	8 USD per kilo
Grade 7	7 USD per kilo
Grade 8	3.5 USD per kilo
Grade 9	1.5 USD per kilo
Grade 10	1 USD per kilo

Lapis lazuli can be used in different ways, e.g. in fine jewellery, ornamental objects, and building materials such as table-tops or tiles. The finer-quality material is mostly incorporated into jewellery while material with less than 50% lazurite (grade 8 to 10) can be used for construction material and other industrial use. Lapis lazuli can be processed more easily than any other Afghan gemstone and in terms of local value addition, is undoubtedly the most significant stone.



Photos: Necklaces made out of small lapis-lazuli beads (left); local gem-cutter in Balkh province (right)

With few other sources of fine quality lapis, Afghanistan has an almost monopoly on production and in the future, the price of lapis could be substantially raised. However, the sector also faces many challenges that prevent it from contributing to development in a more sustainable and meaningful way. In recent month, the sector has also come under increased criticism for its potentially destabilizing effects linked to the unregulated exploitation and trade. As a consequence, the government has enforced a formal work stoppage and earlier this year the contract with the private contractor BRBD Group has been suspended.

### 6.1.2 Other Gemstone Localities in Badakhshan

The province of Badakhshan is home to the widest variety of gemstones in Afghanistan. In close proximity to the lapis mines, in the district of Jurm, *tourmaline* and *aquamarine* are also being mined. These localities are approximately 7 kilometres away from the district center of Jurm. It is not clear how many people currently work in these mines, but in 2013 the number has been estimated in the range of 1,500. Other gemstone deposits in the province include: *agate*, *garnet* and also in smaller quantities *sapphires*, *kunzite*, *zircon*, *malachite* and *quartz*. Badakhshan's *spinel* mines closed in 1866, but have now been re-opened north of Ishkashim on the Amu Darya boundary with Tajikistan. *Alluvial spinels* may be on the Afghan side of the border.

### 6.1.3 The Emerald Mines of Panjshir

Panjshir province is north-east of Kabul. Nearly the entire province (91.2%) is mountainous or semi-mountainous. Mineral occurrences in this province are predominantly pegmatites and emerald-bearing quartz-ankerite veins, hosted in Ordovician rocks. The known emerald occurrences are on the southeastern side of the Panjshir Valley near the village of Khenj and occupy an area that is 3-km wide and 20-km long, at an elevation of 3,000-4,000 metres. Panjshir emeralds seem to have been mined "*at least as early as the 18th century*" on oxygen isotope evidence and were later rediscovered by Russian geologists in 1970. Mining re-commenced about 1975 and became substantial since the early 1980s. An estimated 1,000 artisanal miners and their families are said to depend on emeralds mining for their livelihoods. This is significant compared to the total household size of 24,500 in the province. The quality of Panjshir's emeralds is high, comparable to the best production in Colombia. The richness of the emerald deposits is undisputed and annual production output could be in the tens of millions of dollars. Revenue collection and tax sharing agreements are rooted in long-standing customary rules that do not necessarily comply with all the provisions of the Afghanistan Minerals Law. The Panjshir valley is generally a peaceful region and gemstones are mined in a less conflict-ridden environment than those in Badakhshan. However, in 2009 the Taliban took over some of the key emeralds deposits in the neighboring SWAT valley in Pakistan and this development had a direct negative impact over Panjshir's emeralds. Many international buyers were unable to distinguish between the developments in the two countries. Domestic processing capacities for emeralds remain virtually nonexistent, hence domestic value addition is almost zero.

### 6.1.4 The Ruby Mines of Jegdalek, Kabul Province

The most important ruby deposits are located in the Sarobi district, of Kabul province. The best quality stones are comparable to those found in Burma. The mines are vast, consisting of 10 kilometres of narrow 30-m deep open-pit trenches. Activity is limited by flooding and primitive mining methods used by c.500 artisanal miners. Estimated output of the Jegdalek ruby mines with proper mining could be several million dollars per year. Similarly to emeralds, rubies are difficult to process and local value addition is almost zero.

### 6.1.5 Pegmatite Gems of Nuristan, Laghman and Kunar

The pegmatite region of Nuristan, Laghman and Kunar is among the most inaccessible mining area in the world. About 500 artisanal miners work these pegmatites all-year-round, extracting gem-quality crystals of *tourmaline*, *spodumene (kunzite)*, *aquamarine*, *beryl*, *sapphire* etc. The region is very volatile in terms of security with only a limited State presence.

### 6.1.6 Examples of Other Gem-quality Minerals

**GEM-QUALITY SPODUMENE** includes the lilac purple shades known as **KUNZITE**. In the Salang Pass, spodumene crystals are up to half a metre long and found with ores of tantalum and tin.

**GEM-QUALITY AMETHYST** is little known, although recorded in several provinces - Panjshir (Parwan District), Ghazni, Zabol and possibly Baglan. The most spectacular is in Ghazni where mining began in 1999 after discovery of gem-quality amethyst at Maquar, Zarkashan Mt in Qarabagh District. The mine produces native gold with amethyst crystals and some chrysocolla. Amethyst crystals of up to 8 kilos occur, and perfect crystals are sought by collectors. By 2002, production of amethyst totaled **25 tonnes**, with 5% of gem-quality. Cut and polished amethyst gems are 3 to 21 carats. Perhaps **100 local people** mine by blasting and drilling. The best is sold to local distributors in Ali Khail village and taken to Peshawar for international distribution.

**GEM-QUALITY FLUORITE** is rare, but in 2001 a new source of gem-quality green-to-blue fluorite was discovered near Kandahar and mined artisanally. Cut and polished fluorite were shown at Tuson in 2002. By then **<100,000 carats of fluorite** were faceted from about 200 kilos of gem-quality fluorite. It is expected lapidary-grade fluorite is common in the fluorspar region to the north.

**GEM-QUALITY GARNET** is common and Afghanistan became a significant producer since 2000.

Grossular Garnet: annually up to **5 tonnes** of mixed grade yellowish-orange to red-orange are produced from skarn deposits at Kantiwow in Nuristan Province and a further 2 tonnes at Munjargal in Kunar Province. Crystals are often up to 1 cm in diameter with 4 cm reported.

Spessartine and Spessartine-Almandine Garnet: **annually at least several tonnes** are won from pegmatites, notably in the Darre Pech area of Kunar Province, as a by-product of mining for kunzite and tourmaline. Cut gems are yellow-orange to orange, while others orange-red to dark red.

Almandine Garnet: tens of thousands of km<sup>2</sup> of garnet schists are prospective for industrial-grade garnets.

Uvorite Garnet: this rare green gem is mined at Taghonak in Andarab District of Baglan Province.

# **FOURTH AEITI REPORT**

## **APPENDIX 10.14**

**Taxpayer Identification Number (TIN) and licence details for  
participating companies**

## Taxpayer Identification Numbers and licence details for participating companies

Company Name	TIN #	Licence #	Comments
Northern Coal Enterprise	9000453812		No licence number available
Afghan Gas Enterprise	9000454091		No licence number available
MMC - JCL Aynak Minerals Company Ltd.	1052271010	I - 11193	
CNPCI Watan Oil and Gas Afghanistan Ltd.	9000542507	I - 11874	The company reported a different TIN : 9000525965
Kushak Brothers Company	1034744019	8190 & D-03-520	
Hashimy Group	9000174517	D - 29174	The company reported a different TIN : 1052485016
Turkish Petroleum Afghanistan Ltd	9001205153	I - 57641	
Dragon Oil (Sanduqli) Limited	9001209627	I - 57735	
Mesaq - e - Sharq Company	1050765013	11764	
Afghanistan Coal LLC	1029975016	D - 23845	
Afghanistan Cement LLC	1029973011	D - 23883	
Dragon Oil (Mazar - i - Sharif) Limited			No TIN or licence numbers available